START THE WEEK WITH

Mandela's mogul — *South Africa's top black business man* Page 16

Emerging rollercoaster — *Bonds recover* Page 26 — *Israel's stock market plummets* Page 25

Second coming — *After the BMW Rover deal: Honda's grand plan for Europe* Page 21

Angry man — *Karel Van Miert interview* Page 2

FINANCIAL TIMES

Europe's Business Newspaper — MONDAY JUNE 13 1994 — D8523A

Europe goes to the polls

- **Belgium**: Voting compulsory. Christian Democrat government under strong attack from Right.
- **Denmark**: Strong polling with small anti-Maastricht parties making some gains.
- **France**: Late polling heavy. Fringe parties set to hammer political establishment.
- **Germany**: Chancellor Kohl's CDU wins as SPD challenge fails. Greens fall back.
- **Greece**: Voting obligatory. Pasok holds General Election lead. Strong nationalist showing.
- **Ireland**: Low turnout. Government vote mainly firm, though Dublin lost.
- **Italy**: Bad weather spoils turnout and could limit scale of likely Berlusconi win.
- **Luxembourg**: Compulsory vote. Also General Election. Government coalition holds position.
- **Netherlands**: Record low poll. Christian Democrats reverse poor General Election vote.
- **Portugal**: Light polling. Socialist opposition consolidates 1993 Local Election wins.
- **Spain**: Strong turnout. Conservative opposition overtakes scandal-hit government.
- **UK**: Low poll. Ruling Tories face big losses to Labour and Liberal Democrats.

Tomorrow the Financial Times publishes a 6 page special report of results and analysis of the 1994 elections to the European Parliament.

Kohl's party scores surprising win in Euro poll ■ González's Socialists defeated

Right gains in Germany and Spain

By Quentin Peel in Bonn

Chancellor Helmut Kohl's Christian Democrats scored a surprising victory in the German leg of yesterday's European parliament elections.

In Spain, the Socialist party of Prime Minister Felipe González suffered defeat at the hands of the opposition conservative Popular party.

In preliminary results among the other six countries that went to the polls yesterday, governing parties suffered setbacks in Portugal but maintained their positions in Greece, Belgium and Luxembourg.

In the UK, where voting took place on Thursday, sharp divisions in the ruling Conservative party over Europe and Mr John Major's leadership emerged again last night as the government prepared to face its worst defeat in a national election since the second world war.

Amid predictions that the Conservatives would hold on to at most half of their 32 seats in the European parliament, Mr Douglas Hurd, the foreign secretary, signalled the start of a concerted cabinet operation to shore up Mr Major's premiership.

The shift to the right in Germany and Spain was expected to be offset by gains by leftwing parties elsewhere in the European Union, leading to a small overall increase in the Socialist representation in the 567-seat, 12-nation parliament in Strasbourg.

The combined total of Mr Kohl's Christian Democrats and its Bavarian sister party, the Christian Social Union, was forecast to rise to 40.5 per cent from 37.7 per cent in the previous Euro election of 1989, according to an exit poll carried out for the ZDF television station.

In contrast, the opposition Social Democratic (SPD) party was projected to slump to its worst result since direct European elections began, down from 37.3 in 1989 to just 33 per cent.

The ZDF forecast that the CDU/CSU could take 48 of Germany's 99 seats in the Strasbourg parliament, against 39 for the SPD and 12 for the Greens.

The liberal Free Democratic party, junior partner in Mr Kohl's coalition government in Bonn, looked set to lose its place in Strasbourg, along with the far-right Republicans.

The Republicans, the feared bogeymen of Germany's far right, also seemed to have suffered a dramatic setback. The poll suggested a halving of support from 7.1 per cent in 1989 to 3.5 per cent.

In Spain, exit polls put the Popular party's result at between 38-40 per cent and 40 per cent of the vote, giving it between 26 and 28 of Spain's 64 seats. Mr Gonzalez' Socialists were projected as gaining only 29-31 per cent of the vote.

Polls also predicted that Spain's Socialists would lose their absolute majority in the regional parliament in Andalusia in elections held in parallel with the European poll.

In Portugal, the opposition Socialists appeared to be heading for victory with 35-39 per cent. But Greece's governing Socialist Panhellenic Socialist Movement looked set to win that country's vote, with exit polls giving it 38-42 per cent of the vote.

Early projections put the Socialist grouping's strength in the new Strasbourg assembly at 203 plus a further nine allies from France, compared with 197 in the old parliament. Rightwing parties' showing in the parliament was expected to be more fragmented compared with 1989.

Big Austrian majority to join EU

Ian Rodger in Vienna and Hugh Carnegy in Stockholm

Austrians yesterday gave the European Union its first big vote of confidence in several years, with 66.4 per cent voting in a national referendum in favour of joining the Union.

The turnout for the referendum, 81 per cent, was equally impressive, in contrast to the low participation in European parliamentary elections in many countries yesterday.

Late in the afternoon, when the scale of the result became known, enthusiastic crowds waving EU flags gathered at main political party headquarters in Vienna and in front of the federal chancellery shouting, "We are the champions".

Mr Alois Mock, Austrian foreign minister, said: "It proves that Austrians are determined to play their part in building the new Europe."

It is also a boost for pro-EU forces in Norway, Sweden and Finland where EU entry referendums are due in the autumn.

More immediately, the Austrian Yes vote comes just before three important party congresses on the EU issue in those three Nordic countries next weekend, and a parliamentary no-confidence vote due on Wednesday in Finland.

Mr Carl Bildt, the Swedish prime minister, last night welcomed the Austrian decision as "an important signal" to Swedes. "That the result was so strong was based upon the wish to influence the development of Europe. The argument for influence won, and won big," Mr Bildt said.

Only in Finland, where fear of neighbouring Russia is a major factor, is the Yes campaign leading the referendum race in the opinion polls. In Sweden and especially in Norway, the No campaigns hold a strong lead.

Mrs Gro Harlem Brundtland, the Norwegian prime minister facing a No campaign with well over 50 per cent support in the opinion polls, said Austrian entry to the EU strengthened the opportunity to build bridges between western and eastern Europe. The Norwegian No campaign had argued that the EU will shut out poorer former eastern bloc countries.

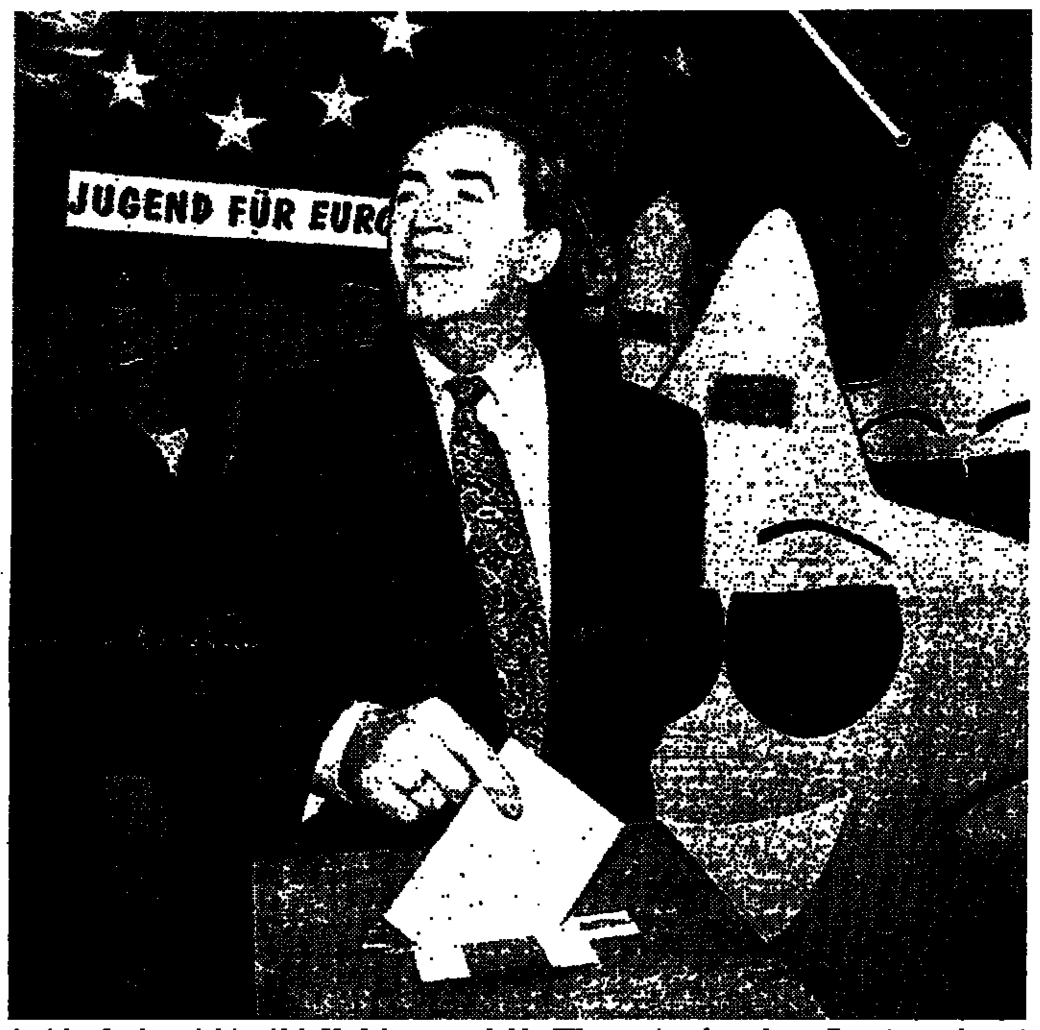
The Austrian vote will be well received by the country's central European neighbours. The Czech republic, Slovakia, Hungary, Poland and Slovenia all hope that their interest in joining the EU will be taken up by Brussels soon after the current applicants become members.

Austrians put their faith in the EU .... Page 2
Editorial Comment .... Page 19

Respectable majorities in every province in Austria backed EU entry. Even in Tyrol, where resentment over the pollution from alpine lorry transit has provoked strong anti-EU sentiment, the majority Yes vote was 56.4 per cent.

Government officials said yesterday their own polls showed many people were shaken by scare stories put out late in the campaign by the anti-EU camp. It was claimed, for example, that Austria, once it joined the EU, would have to supply water to Spain and that Brussels could force it to build nuclear power stations.

But late last week, the pro-EU camp responded strongly, dismissing the scare stories and emphasising the importance of the vote for the country's future security and prosperity.



Austrian foreign minister Alois Mock is surrounded by EU supporters dressed as yellow stars as he cast his vote in Vienna yesterday in the referendum on joining the Union Picture: AP

Austrian leaders plan to sign their accession treaty at the EU summit in Corfu on June 24. The country then becomes an official observer of EU institutions from July 1 until its official entry on January 1 1995.

Van Miert appeals for flexibility at talks to rescue steel

By Paul Betts in London and Lionel Barber in Brussels

The European Commission will this week reconsider its rescue plan for the steel industry amid renewed warnings from Mr Karel Van Miert, EU competition commissioner, that he will walk away from it unless he wins support for a flexibile interpretation of rules on state aid.

Mr Van Miert's stand puts him on a collision course with Sir Leon Brittan, chief EU trade negotiator. Sir Leon is unhappy about the planned granting of Ecu415m ($481m) in Italian state aid in exchange for the closure of steelmaking in Brescia, Italy.

In an interview with the Financial Times, Mr Van Miert said the Brescia cuts were crucial for the Commission reaching its target of cutting steelmaking capacity in the EU by a total 19m tonnes by September.

In Brussels, Mr Van Miert's allies are betting that Sir Leon will soften his position in order to win the backing of the Italian government for his bid to succeed Mr Jacques Delors as the

Continued on Page 20
Interview, Page 2

Row over food aid mars accord with Ukraine

Ukrainian president Leonid Kravchuk is expected to sign a "partnership" agreement with the European Union in Luxembourg tomorrow, the first sign of a more even handed EU strategy towards Ukraine and neighbouring Russia.

The EU's new policy of engagement is being hobbled by a row over a European Commission plan to send emergency food aid. Britain, among others, opposes the provision of farm credit guarantees, believing that reports of food shortages are exaggerated, and that the Commission's move is a short-term palliative. Page 20

China urges more talks over North Korea: China made its strongest plea yet for renewed diplomatic efforts to resolve the argument over North Korea's reluctance to open its nuclear sites to inspection. Page 5

Haiti regime declares alert: Haiti's army-backed government has declared a state of emergency amid reports of impending foreign military intervention to reinstate exiled president Jean-Bertrand Aristide. Page 4

Bundesbank warns against tax rises: Falling private demand poses the biggest threat to Germany's economic recovery, Bundesbank chief economist Otmar Issing said, warning against further tax rises. Page 3

Ford seeks to sell more cars in Japan: US motor vehicle manufacturer Ford launched an aggressive strategy to gain a bigger share of the Japanese new car market by exporting right-hand drive cars from the US and Europe. Page 23; West Europe new car sales up, Page 2

Argentine offer to Falkland islanders: Argentina would consider paying the Falkland Islands' 2,000 inhabitants compensation to accept Argentine sovereignty, foreign minister Guido di Tella said. Page 4

Tunnel launch for Italy freight run: The Channel tunnel makes its first contribution to moving freight traffic from road to rail tonight with the start of a container service to Italy. Page 7; Notices could assist French Eurotunnel share investigation, Page 2

Delors puts case for labour flexibility: Plans to promote flexibility in European labour markets are spelt out in an internal European Commission progress report by EC president Jacques Delors on employment and competitiveness. Page 2

Yeltsin cracks down on advertising: Russian president Boris Yeltsin issued a decree banning dishonest financial advertising which has enabled crooked financiers to make fortunes at the expense of investors. Page 4

Usinor to raise Ilva steels bid: French steelmaker Usinor Sacilor said it would table an increased bid for the special steels division of Ilva, Italy's state-owned steelmaker. Page 3

Outokumpu in FM1.2bn share offer: Finnish mining and metals group Outokumpu has launched a FM1.2bn ($217m) international share offer on the back of a sharp improvement in profits in the first four months. Page 23

European Monetary System: The EMS grid appears on Page 4

Fall in world CFC output a victory for 'green' campaign

By Nancy Dunne in Washington

Global production of chlorofluorocarbon gases, which scientists say are responsible for holes in the earth's ozone layer, has plummeted since 1988, according to a US report.

The fall is the most striking success to date of the worldwide campaign by environmentalists against the use of CFCs.

The report, *Vital Signs 1994*, by the Washington-based Worldwatch Institute, a private think-tank, says CFC production fell 20 per cent last year, and is 60 per cent down from its peak in 1988.

Mr Lester Brown, head of the institute, said: "We are now headed in the right direction. If we continue on this phase-out path, eventually the ozone layer will heal. But that is several decades down the road."

Concern about the ozone layer dates back to 1974 when two atmospheric scientists at the University of California warned that CFCs could deplete the ozone layer which protects the earth from ultraviolet radiation. Governments began to take the threat seriously when a team led by Mr Joseph Farman of the British Antarctic Survey, reported a recurring hole in the ozone layer over Antarctica.

Subsequent investigations found a thinning of the ozone in other regions of the world. In 1987, governments signed the Montreal Protocol, promising to halve CFC production over the next decade. Later agreements in London in 1990 and Copenhagen in 1992 pledged many industrial countries to phase out production of CFCs and other ozone-depleting substances. CFC production is due to stop in industrialised countries by the end of this year.

Vital Signs, an annual exercise in "taking the planet's pulse", found the environmental movement making important gains. Use of wind power rose 13 per cent last year, with most of the growth in northern Europe. Nuclear generating capacity grew by nearly 3 per cent, but the number of plants under construction fell and closures increased. Capacity is expected to peak before the year 2000.

Natural-gas production expanded to record levels and now provides 21 per cent of the world's primary energy as coal use declined. Sales of compact fluorescent lamps – efficient substitutes for incandescent bulbs – have quadrupled over the past five years.

Carbon emissions – believed to produce global warming – fell slightly, but that was attributed to recession in the industrialised countries and the economic contraction in the former Soviet Union. Emissions are soaring in Asia.

Meanwhile, the 1993 grain harvest fell by nearly 5 per cent, the report says, one of the largest drops on record. "With irrigation expanding much more slowly than in the past, and with the limited capacity of existing varieties of grain to respond to the application of additional fertiliser, farmers will be hard pressed to keep up with the projected growth in world population."

Vital Signs 1994, Worldwatch Institute, 1776 Massachusetts Avenue NW, Washington DC 20036, US. Tel (202) 452 1999, fax 296 7365. $39.

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Dinl.280	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.20
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS1.50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y590	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils625	Poland	Zl32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Opponents' scare campaign turns tide in referendum

Austrians put faith in EU

By Ian Rodger in Vienna

Whatever the meaning of other messages that arrived in Brussels yesterday from around Europe, those coming from Austria were unequivocally positive.

Even the most optimistic pro-European Austrians never dreamed that 65 per cent of voters participating in yesterday's referendum would put their support behind joining the EU.

An examination of the final days of the referendum campaign suggests that the vote reflected a solid vote of confidence in the EU as an institution.

A week ago, opinion polls indicated a very close result, and a scare campaign mounted by the anti-EU camp appeared to be eroding pro-EU sentiment. But by the end of the week, the tide was running heavily in the EU's favour. What happened in between was that the anti-EU forces went too far, and the government was able to undermine their credibility and take the high ground.

On Wednesday, Mr Jörg Haider, the populist right-wing leader, held up a container of Spanish yoghurt during a television debate, claiming that it contained a dangerous colouring agent and that Austrians would be obliged to eat it.

Mr Haider also intensified his complaints about the intensity of the government's pro-EU campaign, urging resentful voters to use the referendum to teach it a lesson.

On Friday, Mr Alois Mock, the foreign minister who has campaigned tirelessly for the EU cause in spite of a severe illness, struck back angrily. "Anyone who thinks this vote is about teaching the government a lesson is behaving on the very edge of what is democratically acceptable," he said.

Then in a moving nationwide address on Friday night, Mr Thomas Klestil, the Austrian president, emphasised what he thought the vote was about. The EU, he said, was an organisation which, for all its faults, had already proved itself as the best and only hope for preventing war again in western Europe.

At a time when Austria has watched war ravage much of its southern neighbour, the former Yugoslavia, this message had real meaning. Even in Tyrol, where the problem of lorry transit traffic has made the EU very unpopular, a convincing 58.5 per cent voted in favour of joining.

The result should have immediate consequences both inside and outside Austria.

Mr Wolfgang Wolte, head of EU affairs in the foreign ministry, said yesterday he was convinced that it would have a positive influence on voters in Norway, Sweden and Finland. They face EU entry referendums in the autumn.

In Austria itself, the main impact will be on the political scene, possibly contributing to a realignment among parties after national elections which are due in October.

Mr Haider appears to be the big loser from the referendum outcome. Heading into the campaign, his popularity was already at a low ebb following unimpressive showings in provincial elections, the rejection last year of his petition to outlaw immigration and defections of leading parliamentary colleagues.

A sometime supporter of EU membership, he decided halfway through the campaign to oppose it, initially claiming that the entry terms that the government had negotiated were unsatisfactory. But he gradually took up any argument he could find.

Now he could again face calls for his resignation and further defections from among his party's parliamentarians.

The ruling socialist-conservative coalition, which presented a unified pro-EU stand throughout the campaign, emerges with its credibility enhanced. It came together in 1986 with the main aim of taking Austria into the EU. Now that goal has been achieved, however, it may well need to redefine itself.

Swiss voters say no to UN peacekeeping role

By Ian Rodger

The Swiss have once again shown their aversion to foreign involvement, with 57.3 per cent of voters rejecting in a referendum a government proposal that they provide troops for United Nations peacekeeping operations. Only 42.7 per cent, or 898,925 people, were in favour – a much lower number than had been expected.

Yesterday's vote comes after referendum decisions in 1986 to avoid UN membership and in 1992 to stay out of the European Economic Area.

Earlier this year, Swiss voters irritated neighbouring European governments by voting to prohibit transit lorries from their Alpine passes starting in 2004.

The overwhelming rejection of involvement in UN peacekeeping therefore marked the third time in eight years that the Swiss had turned their backs on the rest of the world and opted to continue what one commentator described as "splendid isolation".

There were signs in the run-up to yesterday's vote that European countries were no longer willing to accept Switzerland's lack of international solidarity passively.

Last week, Mr Matthias Wissmann, the German transport minister, acknowledged that the referendum had no direct relation to European transport discussions, which have been jolted by a Swiss referendum decision in February to prohibit all lorry transit traffic from the Alps from 2004.

The connection was "more atmospheric", Mr Wissmann said. With a "yes" vote, Switzerland would signal that it sought not only advantages from international relations but also to carry the burdens.

The proposal to create a troop of 600 volunteer blue helmet troops was rejected in all but the French-speaking cantons of Vaud, Neuchatel, Geneva and Jura, opening the potential for a renewal of tensions between French-speaking Swiss and the others.

The four-party coalition government and parliament last year agreed to amend the constitution to allow for the dispatch of peacekeepers.

Opponents claimed that Switzerland's neutrality would be compromised by participation in peacekeeping and that blue helmet troops were ineffective and a waste of money. The cost of the peacekeeping contribution was estimated at SFr100m (£47m) per year.

Mr Ernst Rüesch, a Free Democrat (FDP) deputy and co-chairman of the committee backing the proposal, said opponents had won support with an emotional campaign that deliberately played on voters' fears of potential dangers facing Swiss UN soldiers.

Pre-referendum polls indicated that the difficulties faced by the UN peacekeeping force in Bosnia in recent months undermined support for the idea among Swiss voters.

In another referendum vote yesterday, the Swiss rejected a proposal to make it easier for children of immigrants to become citizens.

Delors jobs plan wins backing

By David Goodhart, Labour Editor

Plans to promote flexibility in European labour markets which fall well short of British-style deregulation are spelt out in an internal European Commission progress report on last December's white paper on employment and competitiveness by Mr Jacques Delors, Commission president.

The report was warmly welcomed at a meeting of the Commission last week and will form the basis of Mr Delors' contribution to the European Council meeting in Corfu this month.

The report, written by the employment task force at the Commission's directorate general for social affairs, says the white paper has been judged useful in all member states but "a fragmentary approach is still noticeable" and the need for "collective action" has not yet been realised.

It also argues the white paper strategy is a medium-term one and that progress at this stage must be judged in terms of "trends and changes in political positions".

The paper is vague on the appropriate role for Brussels in promoting the goals of the white paper. Reflecting the more cautious approach to European-level employment legislation spelt out recently by Mr Padraig Flynn, the social affairs commissioner, the report says Brussels should encourage countries to "pick and mix" elements of policy from different national systems.

The paper welcomes progress made on the white paper recommendation to reduce non-wage labour costs and approves of the steps being taken in countries such as Spain to liberalise redundancy and dismissal legislation.

But it stresses that labour market efficiency is to be sought not through a "dilution" of the European model of social protection, but "through the adaptation, rationalisation, and simplification of regulations, to establish a better balance between social protection, competitiveness and employment creation".

The paper says deregulation means different things in different countries. And in a coded dig at the British government, it says the burden of change should not be borne by the weakest in society, which is "the easiest, but least acceptable, way of increasing access to jobs".

A similar tone is adopted in a discussion paper on European employment issues from the German government, which takes over the European Union presidency next month. The Germans stress the importance of greater flexibility in working hours but at the same time welcome the EU working-time directive – bitterly fought by Britain – as an "important framework".

The German government, like the British, wants to promote part-time work, but the Germans' first priority in the employment field is to establish a European directive laying down minimum standards for part-timers. Germany has, however, failed to persuade the British government of the need for a directive which ensures that pay and conditions must be the same, pro rata, as that for full-timers.

The European Commission progress report concludes by warning about a return to complacency on unemployment as economic growth picks up. It also chides member states for failing to come up with more local level job creation ideas and for failing to develop forms of "top-up" state support which encourage people to take low-paid work.

Socialist redoubles efforts on behalf of free market

Paul Betts talks to Belgium's competition commissioner, Karel Van Miert, who feels let down by European governments

The fiasco over the European Commission's rescue plan for the steel industry has left Mr Karel Van Miert, the normally genial European competition commissioner, in an angry and combative mood. It also seems to have stirred the Flemish socialist to pursue even more vigorously than his free-market conservative predecessor, Sir Leon Brittan, competition abuses in the single market.

Mr Van Miert feels he has been let down by governments which had originally asked *him to draw up with Mr Martin* Bangemann, the industry commissioner, a plan to cut European steel capacity. "I was asked to put together a steel plan but I was never 'demandeur' [originator]. If the feeling is that we should put an end to it, I'm prepared to do so," he said defiantly in an interview with the Financial Times.

Although governments are now scrambling to salvage the plan, Mr Van Miert suggested the moves were unlikely to succeed but designed rather to give the whole affair "a decent burial".

For Mr Van Miert, the steel affair reflects the contradictory and often hypocritical position of governments that ultimately undermines the entire European Union process. "It's very frustrating when you have to discuss with governments about capacity cuts, about state aid, when they all have a veto. It doesn't work. I mean, it's like a referee in a football game where he has to ask the player if he please may give him a yellow or a red card."

And then governments, not least the UK, adopt completely contradictory positions. "We will be told we are well paid, which is true, perhaps even over-paid Eurocrats, and not politically responsible, and things like that. But the British government will ask Mr Bangemann and me officially and formally to use Article 90 to liberalise the telecommunications sector without parliament, without the Council of Ministers. Isn't that a very strange attitude?" he asks, referring to Article 90 of the Treaty of Rome, known as the nuclear option, a rarely used provision which gives the Commission the power to break up public monopolies on competition grounds.

In some more liberal quarters, Mr Van Miert's appointment 18 months ago raised fears he would take a soft approach to competition issues. Instead he is confounding his doubters by initiating a broad series of competition cases involving everything from mergers and state aid to price fixing in sectors as varied as consumer goods, cement production, carton board, telecommunications, airlines and banking.

He is proposing to block a controversial takeover of a German feminine hygiene products company by Procter & Gamble of the US: only the second deal to be blocked by the Commission since it was given wider powers to vet large mergers more than two years ago.

Mr Van Miert, a former transport commissioner who engineered European air transport liberalisation, *is* also planning to attack ground handling monopolies at European airports. He is keeping an eye on the French government's proposed FFr20bn (£2.3bn) capital injection into Air France, the troubled French national carrier, and is pursuing a complaint by the small Irish carrier, Ryanair, against Aer Lingus, the Irish state flag carrier, of predatory pricing.

Mr Van Miert is extremely concerned by the French government's plan to inject FFr4.9bn of capital into Crédit Lyonnais, one of Europe's biggest banks, and writing off FFr40bn of bad debts. In a novel approach to EU competition investigations, he is planning to appoint a panel of eminent independent bankers to advise him on the case.

From the beginning, Mr Van Miert has adopted a pragmatic approach to competition issues. Just as he felt that the only way forward for the steel industry was a flexible plan linking state aid to the decommissioning of capacity, even though this might have been in a strict legal sense questionable, he believes the state has a role to play in areas, including big infrastructure programmes, where private investors do not want to invest.

But he is also convinced that the cause of liberalisation in Europe has been won, even in his own country of Belgium. Under the Commission's state aid policy for flag carriers, state-owned airlines have been allowed one last injection of state funds to help them adapt to the new liberalised aviation market and restructure their operations.

"Sabena [the Belgian national carrier] made losses for many, many years. Now they have had to adapt in a dramatic way to new circumstances. So we thought it was fair enough to give carriers a new chance. But just once."

Privatisation is also the only way ahead for large sectors of previously state-owned industries, including steel, telecommunications, airlines, among many others. "There is no reason why they should be state-owned," Mr Van Miert said.

"It is utterly unfair if in a given member state companies not receiving state aid are being put to the wall by those continuing to produce quite happily although in trouble because of state support," he said, adding that national bankruptcy laws also risked further distorting the market.

For all these reasons, it was important to give the Commission the necessary instruments to monitor competition. "If we are not equipped we must admit that we are unable to do so and then leave it to the gods," he said. "Once you go for liberalisation, you need a strong central authority to make the rules, implement them and respect them."

Equally, it was important to take a long-term view of competition and overall industrial policy, added Mr Van Miert, a close friend of Mr Jacques Delors, the Commission president. "I believe you have to remain far-sighted. One of the great strengths of Jacques Delors is that he senses perhaps much more than many other people what will or might be needed in years to come. I believe very much that the next president of the Commission should be that kind of guy." Mr Van Miert recalled how Mr Delors asked him to draw up a new transport infrastructure network for Europe when he first took over the transport portfolio. "I still keep the map he gave me on which he drew various lines and at least one tunnel."

Karel Van Miert: fighting back from fiasco Trevor Humphries

'Slim' chance of 1997 currency merger

The chances of a majority of European Union countries being able to merge their currencies in 1997 are at best slim, Mr Henning Christophersen, European economics commissioner, said yesterday, report Lionel Barber in Brussels and Reuter in Basle.

Mr Christophersen said that the early target date for monetary union by 1997 would be "very difficult". There was a general consensus that "it would be better to wait until 1999".

Mr Christophersen was speaking on the eve of the annual meeting in Basle of the Bank for International Settlements, the central bankers' central bank.

His cautious pessimism contrasted with his usual upbeat assessments of the prospects for an early move to Emu. The Danish commissioner may also have had an eye on his audience. A new central bankers' report expresses concern about the size of budget deficits in member states.

Last week, Mr Günter Rexrodt, German economics minister, appeared to cast doubt on the Maastricht treaty timetable for Emu by saying that a single European currency might take until 2001 to realise.

Mr Rexrodt stressed that meeting the Maastricht criteria on inflation, currency stability and government debts and deficits was far more important than meeting the Maastricht dates.

Asked whether he agreed with the German assessment, Mr Christophersen conceded: "Unless we get 3 per cent [economic] growth in 1996 and more in 1997, it (Emu) will be impossible."

Despite his cautious line, Mr Christophersen said that he did not want to rule out 1997 altogether because that could prompt countries to scale down their efforts to meet the Maastricht treaty targets. "I don't want to discourage everyone from trying to get there," he said.

Lille's public transport sets an example for Europe

As others lobby for a single line, this French city is extending its network, writes **Charles Batchelor**

The first stop for many travellers through the Channel tunnel will be the French city of Lille, a former textile and mining centre which has been given new life by the creation of France's network of *trains à grande vitesse*.

Strategically placed at a junction of the high-speed lines between London, Paris and Brussels, Lille recently completed a new TGV station as part of a FFr5.3bn (£625m) office development.

But civic pride in the TGV connection is matched by Lille's commitment to an integrated public transport system for the city and the neighbouring towns. Lille's approach to running its transport network provides some interesting lessons parallels for local authorities elsewhere in Europe.

While on the British side of the Channel, Birmingham, the UK's second largest conurbation, lobbies desperately for government funding for a single high-speed rail line, Lille, a city of 1.1m people, is busily extending its existing underground network, having just completed a FFr1.3bn upgrade of its tram system.

It has financed its impressively modern infrastructure with the help of government grants which meet 20 per cent of its investment costs and 25-year to 30-year loans which cover 80 per cent. The loans are repaid in part by a tax on local businesses.

Companies which employ more than nine people pay 1.6 per cent of their payroll costs towards the municipality's transport bill. In return, their employees travel for free on public network.

Proposals in the UK for a proportion of the business rate paid by London companies to go towards funding the CrossRail project, an underground link between the east and west ends of the capital, found little favour with the Treasury.

Central to Lille's public transport network is its underground, the first line of which was built to link central Lille with a new university suburb, Villeneuve d'Ascq. Three years before London's Docklands opened its overground automatic rail system in 1987, Lille began operating its own underground driverless trains.

It currently has two lines in operation covering a total of 15 miles and is extending the network to the neighbouring towns of Roubaix, Tourcoing and ultimately the Belgian border, says Mr Bernard Guilleminot, director of operations.

An example of the underground trains which are central to the public transport network Max Leroupe

Safety on the underground platforms is enhanced by platform barriers which open only when the train is in the station. Stations on London's Jubilee Line extension in 1998 will have a similar feature.

The low operating costs of the underground system mean that revenues exceed costs by 10 per cent (including interest charges) though the more labour-intensive bus and tram networks cover only half of their costs. Overall the entire transport network earned revenues of FFr380m against costs of FFr530m in 1993. This deficit is met from city funds with no contribution from the government to operating costs.

The creation of a high-tech underground system made Lille's 80-year old tram network look inadequate, so in 1989 a decision was taken to replace track, signals and the trams themselves. Some stations were put underground to smooth traffic flows; station platforms were raised to align themselves with the Italian-built trams, which run at speeds of up to 70kph.

To simplify journeys, Lille has introduced a travelcard similar to those in use in London and other large British cities. This allows travellers to switch between metro, trams and buses. But Lille has gone further by extending the availability of its tickets to taxis. This allows travellers from outlying suburbs to take a cab to reach their local underground terminus. This taxi service requires two of the standard FFr7.50 travel cards.

As part of its efforts to drive down costs, Socialist-run Lille – its mayor is Pierre Mauroy, a former prime minister – has delegated the management of its transport network to a private company, Transpole, part of the Via GTI group, which runs the public transport systems of several other French cities. Transpole won a five-year contract in a tender competition held in 1993.

If the cost of running the system is higher than expected Transpole's profits suffer. But if receipts are greater than forecast, the agreement is renegotiated to reduce the windfall profit.

In many European cities improving public transport has been accompanied by with tough restrictions on the use of the private car. But the new Euralille office and retail complex arising alongside the TGV station and the nearby metro station will provide no fewer than 6,000 car parking spaces.

Improvements to Lille's metro and trams have limited the increase in the number of cars driving into the city centre but the city says there has been no overt discrimination against cars.

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GERMAN LOCAL ELECTIONS

CDU's vote in east better than expected

By Judy Dempsey in Berlin

Chancellor Helmut Kohl's governing Christian Democrats, stugging for months in the opinion polls, yesterday looked set to defy the pollsters and the critics by doing far better than expected in eastern Germany's local government elections.

Despite substantial gains made by the opposition Social Democrats and the Party of Democratic Socialism, the successor to the former east German Communist party, their support appears insufficient to dislodge the CDU from power in four of the five eastern German states when state elections are held in June and October.

Indeed, yesterday's rise in support for the PDS reflects voters shifting their allegiance away from the SPD, as east Germans become increasingly sceptical that Mr Rudolf Scharping, head of the SPD, can offer any viable alternative policies to Mr Kohl's.

In exit polls released last night by Infas, the national pollsters for ARD television, the SPD's share of the vote in Saxony-Anhalt, considered a test case for Mr Kohl's CDU since it will be the first to hold state elections on June 26, increased from 22.8 per cent in 1990 to 29 per cent, while support for the PDS rose sharply from 12.7 per cent to 20 per cent.

Opposition support appears insufficient to dislodge the CDU in most eastern states in the coming state elections

But more surprising is that support for the CDU fell only about 1 point to 33 per cent despite recent corruption scandals, mostly in the the Free Democratic party, the junior partner in the CDU-led coalition in the state.

The FDP'S share of the vote fell from 10 per cent to about 6 per cent. These provisional results mean that the CDU will have to increase its support to hold on to power later this month.

Even in the northern state of Mecklenberg-Vorpommern, where thousands of shipyard workers have lost their jobs as a result of closures or privatisation of the shipbuilding sector, the electorate swung behind the Chancellor, with support for the CDU increasing from 27.8 per cent 33 per cent.

The SPD, for its part, increased its share of the vote from 20 per cent in 1990 to over 27 per cent. But the PDS eroded possible greater gains for the SPD, as its support rose from 19 per cent to 25 per cent.

These trends are likely to be reflected in the two other eastern states of Saxony and Thuringia. If so, they indicate the electorate in eastern Germany could play an increasingly important role for Mr Kohl as he edges up in the opinion polls in western Germany.

In the western German state of Saarland, governed by the SPD, the CDU made gains with its provisional share of the vote rising from 35.3 per cent in 1989 to 37.3 per cent.

W Europe new car sales up 13% in May

By Kevin Done, Motor Industry Correspondent

West European new car sales rose by 13.4 per cent to an estimated 1.099m last month, the biggest monthly increase this year and the strongest indication to date that demand is recovering from last year's deep recession.

Sales have been higher than a year ago in four of the last five months, and in May alone demand rose year-on-year in 16 of 17 markets in west Europe. In the first five months of 1994 new car demand was higher than a year ago in 11 of the 17 markets.

According to industry estimates, new car sales in the first five months have risen by 5.5 per cent to 5.4m from 5.14m in the corresponding period a year ago.

Sales in the whole of 1993 fell by 15.2 per cent to 11.45m, the steepest decline since the war.

The recovery during the first five months has been led by the UK, France and Spain and by sharply rising sales in several smaller markets including the Netherlands, Scandinavia and Ireland.

Sales were still lower than a year ago in Germany, Italy, Austria, Switzerland, Greece and Portugal, but with the exception of Austria sales also began to recover in these markets in May.

In Germany, the biggest single market in Europe, new car sales are estimated to have risen in May by 6.5 per cent year-on-year to 300,000, while new car sales in Italy increased by 7.5 per cent to 179,000.

New car sales in France and Spain, where demand has been stimulated by government financial incentives to encourage the scrapping of cars 10 or more years old, rose sharply year-on-year in May by 26.2 and 31.6 per cent respectively.

Japanese carmakers have not taken part in the recovery

The rate of growth in the UK, which slowed in April under the impact of tax increases, recovered in May with a rise year-on-year of 10 per cent.

Japanese carmakers, struggling to maintain competitive prices under the impact of the strong appreciation of the yen, have failed so far to take part in the recovery and have suffered an estimated 6.5 per cent decline in sales during the first five months to 596,000.

The share taken by Japanese car producers has fallen to 11 per cent from 12.4 per cent in the same period a year ago.

Only Honda among eight Japanese carmakers in the west European market has managed to increase its sales this year, and the producers hardest hit are those without mainstream car production in west Europe, such as Mazda, Mitsubishi and Daihatsu. Suzuki's four-wheel-drive vehicle plant in Spain has been closed for much of this year by industrial conflict.

Among the big six volume carmakers in west Europe, the Volkswagen and Fiat groups have continued to lose ground. The German group's leading brands, Volkswagen and Audi, have seen sales volume fall this year, offset by sharp rises at Seat and Skoda, its Spanish and Czech subsidiaries.

The Fiat group, which has been hit in particular by the recession in the Italian market, is being undermined by the weakness of its Lancia and Alfa Romeo brands, where sales have declined by 6 and 12 per cent respectively.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-May 1994

	Volume (Units)	Volume Change(%)	Share (%) Jan-May 94	Share (%) Jan-May 93
TOTAL MARKET	5,425,000	+5.5	100.0	100.0
MANUFACTURERS:				
Volkswagen group	889,000	+1.5	16.4	17.0
– Volkswagen	581,000	–1.6	10.7	11.5
– Seat	142,000	+20.8	2.6	2.3
– Audi	140,000	–4.2	2.6	2.8
– Skoda*	25,000	+20.6	0.5	0.4
General Motors#	695,000	+6.3	12.8	12.7
– Opel/Vauxhall	666,000	+5.6	12.3	12.3
– Saab**	23,000	+32.3	0.4	0.3
PSA Peugeot Citroen	685,000	+13.5	12.6	11.7
– Peugeot	411,000	+11.0	7.6	7.2
– Citroen	274,000	+17.3	5.1	4.5
Ford#	643,000	+7.5	11.8	11.6
– Ford Europe	637,000	+7.4	11.7	11.5
– Jaguar	5,000	+5.3	0.1	0.1
Fiat group##	623,000	+2.6	11.5	11.8
– Fiat	483,000	+6.2	8.9	8.8
– Lancia	82,000	–6.4	1.5	1.7
– Alfa Romeo	53,000	–11.9	1.0	1.2
Renault	575,000	+7.1	10.6	10.4
BMW group†	332,000	+5.9	6.1	6.1
– BMW†	167,000	–0.8	3.1	3.3
– Rover†	165,000	+13.6	3.1	2.8
Mercedes-Benz	189,000	+38.8	3.5	2.7
Nissan	177,000	–1.4	3.3	3.5
Toyota	140,000	–4.0	2.6	2.8
Volvo	91,000	+23.9	1.7	1.4
Mazda	85,000	–11.0	1.6	1.9
Honda†	71,000	+5.2	1.3	1.3
Mitsubishi	54,000	–17.8	1.0	1.3
Suzuki	38,000	–19.4	0.7	0.9
Total Japanese	596,000	–6.5	11.0	12.4
MARKETS:				
Germany	1,455,000	–0.6	26.8	28.4
Italy	887,000	–4.3	16.3	18.0
United Kingdom	822,000	+13.3	15.1	14.1
France	803,000	+16.0	14.8	13.5
Spain	359,000	+17.5	6.6	5.9

*VW holds 31 per cent and management control of Skoda.
#includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
†BMW owns 80 per cent of Rover group and is to acquire the remaining 20 per cent from Honda.

Source : Industry estimates

Poll setback for Fianna Fail

By Tim Coone in Dublin

Two by-elections and 80 local council elections in Ireland held the same day as the European election last Thursday have badly shaken the coalition government.

Fianna Fail, the senior coalition partner, has lost the two seats it was defending in the Dail (Irish parliament). One of them – a marginal seat in Dublin – has gone to the Democratic Left party.

Of much greater concern for Fianna Fail, however, is the loss of what was believed to be a secure seat in the west of Ireland formerly held by Mr Padraig Flynn, Ireland's member of the European Commission, which was being defended by his daughter, Ms Beverly Cooper Flynn. The seat went to the conservative opposition candidate Mr Michael Ring of Fine Gael.

In the local elections, the Labour party, the junior coalition partner, has seen its vote slump to 11 per cent from the 19.5 per cent it obtained in the 1992 general election.

This has led to calls from Labour backbenchers at the weekend for a re-evaluation of Labour's role in the coalition. Mr Dick Spring, the Labour leader, described the results yesterday as "a midterm setback".

Sinn Féin, the political wing of the IRA, has increased its number of local council seats across the country from 17 to 24, and obtained 4 per cent of the vote.

Usinor to raise Ilva steels bid

By Andrew Hill in Milan

Usinor Sacilor, the French steelmaker, said at the weekend it would table a new increased bid for 100 per cent of the special steels division of Ilva, Italy's state-owned steelmaker.

The French company also threatened to complain to the European Commission if Iri, Italy's state holding company, sold the division to a competing Italo-German consortium, on the grounds of the dominant position that would be achieved.

The privatisation of Ilva was a central plank of the Commission's steel plan, aimed at reducing capacity and cutting state subsidies.

Ugine, the special steels subsidiary of Usinor, said it would probably submit its new bid for an unspecified sum today. Italian partners, led by the Lucchini steel group, are likely to take part in the bid, as they did in the earlier offer for only 35 per cent of the Ilva division. Iri favours the rival bid from a consortium led by Krupp and Thyssen of Germany, and including Riva and Falck of Italy. But Iri postponed a decision on the sale two weeks ago and reopened talks with the Italo-German group.

CONTRACTS & TENDERS

Bhutto seeks to reassure investors

Stefan Wagstyl and Farhan Bokhari interview the prime minister of Pakistan

Bhutto: encouraged

Ms Benazir Bhutto, Pakistan's prime minister, said yesterday the country was now free of the political instability that had plagued it in the last five years and urged foreign companies to invest.

"Pakistan today has real democracy and real stability," Ms Bhutto said in an interview yesterday. "People have begun to realise that Pakistan has returned to full democracy."

She dismissed suggestions that the military, which ruled Pakistan until the death of the dictator General Zia ul-Haq in 1988, was still active in politics. She said the army leadership was now "neutral", siding neither with Ms Bhutto nor with Mr Nawaz Sharif, the main opposition leader and former prime minister.

Mr Sharif's government collapsed last year amid arguments with the army and with the president. Months of political turmoil culminated in a general election and Ms Bhutto's return to power.

Speaking a few days after the government announced its budget last Thursday for the year starting in July, Ms Bhutto said she was trying to make Pakistan an "investor-friendly country".

Building on the steps taken by Mr Sharif and his temporary successor Mr Moeen Qureshi to liberalise the economy, the budget includes cuts in import duties and the introduction of full convertibility of the rupee on the current account. The government also plans to keep a tight rein on borrowing – after cutting the fiscal deficit from 8 per cent of GDP at the end of Mr Sharif's rule to 5.4 per cent now, ministers intend further cuts to 4 per cent in 1994-95.

Ms Bhutto said foreign investment could play a leading role in Pakistan. "Some Pakistanis are very sceptical about foreign investment in Pakistan but I think it is because they are not aware that the world has changed so dramatically, and in the 21st century we are going to be witnessing a global economy. We have to try to prepare Pakistan to compete with that global economy and integrate with that global economy."

Ms Bhutto said she was very encouraged by the response from foreign companies. Last week, ICI Pakistan, the 61 per cent-owned affiliate of ICI, the British chemical group, announced plans for a $350m plant to produce pure terephthalic acid, a raw material for making synthetic fibres. The plant, to be funded by a rights issue and loans, will be one of Pakistan's largest industrial investments.

Also, international bankers and fund managers are close to giving final approval to a $2bn oil-fired power station to be built on the Hub river, which is being financed by a combination of public and private finance.

Officials said yesterday the scheme's promoters, including the World Bank, hopes to secure financial commitments by the end of July or early August at the latest. Equity investors, which are putting up $320m, include National Power, the British generating company, which last week agreed to raise its stake from $40m to $90m and assume management control from a consortium which has run the project until now.

Ms Bhutto said that with the help of the Hub river project and other schemes, the government planned to increase electricity output by 50 per cent in five years from about 10,000MW in 1993-94. "Ridding the country of power cuts is the major concern... of the country to improve the life of the citizens and also to improve industrial productivity."

The government expects the economy to grow by 4 per cent in 1993-94 after 2.9 per cent last year when agriculture suffered from drought and a pest attack on cotton, a principal export. The government forecasts a sharp 1994-95 recovery to 7 per cent.

Ms Bhutto said: "Much depends now on weather and crops but given good weather and good crops I think Pakistan will be in a good position by next year. So if within 18 months we can bring real economic stability we would feel proud of that achievement."

Haiti regime declares emergency

By Canute James in Kingston

Haiti's army-backed government has declared a state of emergency after the tightening of economic sanctions against the Caribbean nation and amid intensified rumours of impending foreign military intervention to remove the military and reinstate Mr Jean-Bertrand Aristide, the exiled president.

The announcement of the emergency by Mr Emile Jonassaint, recently appointed head of the government by the army, coincided with an attempt by several thousand Haitians and hundreds of foreigners to leave the country before the termination of commercial flights, one of several new sanctions against Haiti, takes effect.

The US and Canada say they will end commercial flights to Haiti on June 25 to increase pressure on the military which took power in a coup 30 months ago. France is also expected to end commercial flights, but it is not yet known whether other countries which have air links to Haiti, including the Netherlands, Panama and the Dominican Republic, will do the same.

In a further show of defiance, the Haitian military said it would close the country's main airport in Port au Prince, the capital, and several smaller airfields, five days before the new sanctions takes effect.

Foreigners have been told by their governments to leave Haiti as soon as possible, and several governments are also evacuating family members of their diplomatic staff. Most of the Haitians who have been purchasing tickets to leave the country are children and women who are being sent abroad as the tighter sanctions take effect.

Concerns about public safety increased over the weekend after the military seized guns from several US marines entering the country. US officials said the marines were assigned to security duties at the US embassy in Port au Prince, and that they were part of a normal rotation of guards.

The imposition of a state of emergency will not change the situation in the country. The military and its police arm have been exercising powers in a virtual state of siege since economic sanctions were put into effect soon after the coup.

Diplomats in Port au Prince said yesterday that the declaration of the emergency, and the decision to close airports before the June 25 deadline, were part of the military government's display of defiance of efforts to have Mr Aristide returned.

New chief for Czech sell-off agency

By Vincent Boland in Prague

The Czech Republic's privatisation programme is excepted to be speeded with the appointment on Friday of Mr Roman Ceska as chairman of the Czech National Property Fund, the state holding company responsible for privatisation. Mr Ceska replaces Mr Tomas Jezek, who resigned after charges that the agency was selling state assets on the cheap.

Mr Ceska said he would put proposals before the board of the NPS this month: "I want to speed up the privatisation process."

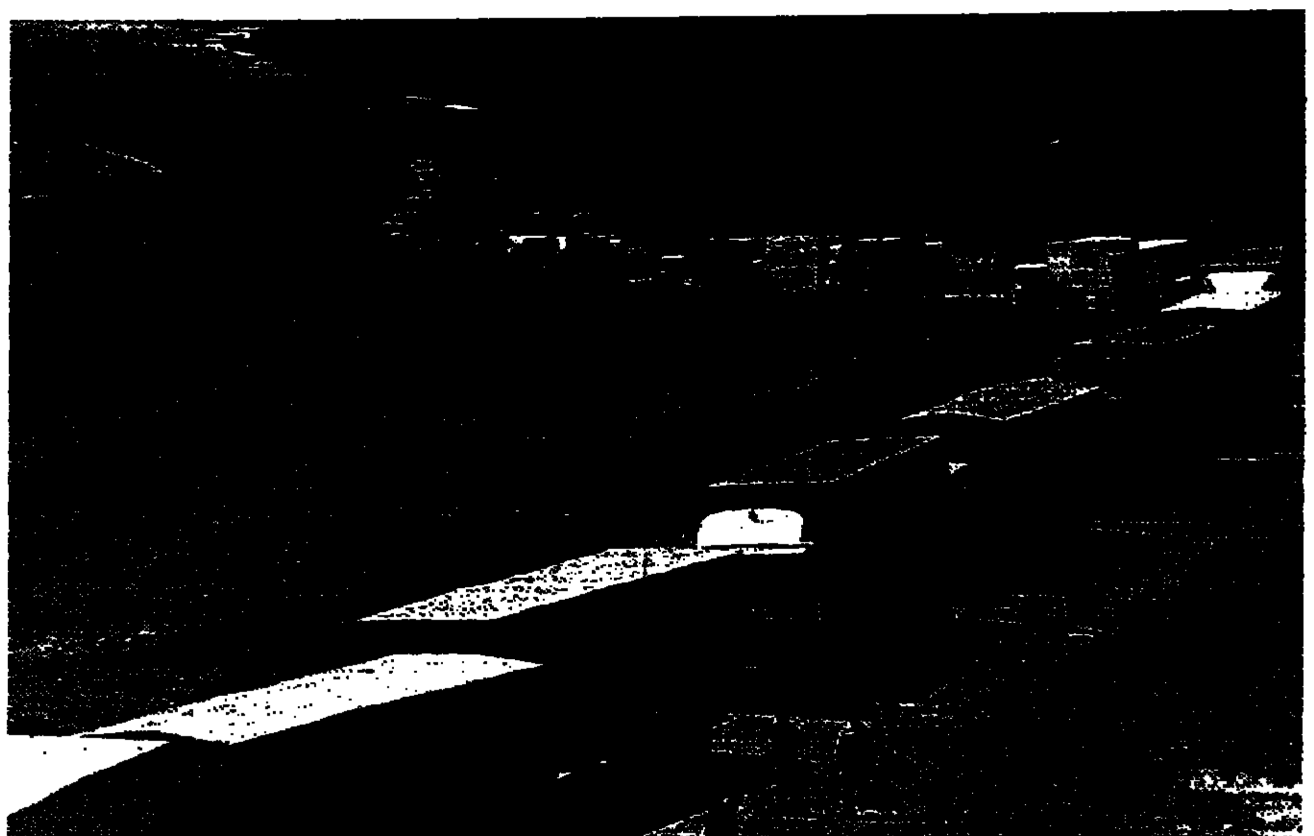
The official reason for Mr Jezek's resignation was a potential conflict of interests between his position at the NPF and his imminent chairmanship of a parliamentary budget committee. But he said he had stepped down because of "continuous attacks" on him in recent weeks.

Fierce rivalry between the NPF and the Privatisation Ministry has been a feature of the Czech privatisation process. Politicians have accused the NPF of acting independently of the government and of reaching agreement with investors without seeking approval from parliament.

Tension increased after several high-profile sell-offs, including the sale of a stake in Czechoslovak Airlines to Air France and after a DM3.5bn (£1.4m) investment in the car maker Skoda by Volkswagen, Europe's biggest car maker, turned sour.

Mr Jezek accused the board, headed by Mr Jiri Skalicky, privatisation minister, of disrupting the NPF's operations and trying to undermine his position. Mr Skalicky said the board asked Mr Jezek to resign because it was "dissatisfied with the pace of realisation of privatisation projects".

The NPF is responsible for selling stakes in state companies to domestic and foreign investors and is a shareholder in much of Czech industry.



Restraint of trade: Lines of trucks waiting for up to three days to cross into Macedonia from Albania at the pass of Qafe Thana. The trucks were diverted through Albania after Greece blocked its routes to Macedonia, with which it has disputes over its name. Reuter

Argentine offer to Falkland Islanders

By John Barham in Buenos Aires

Argentina's foreign minister, Mr Guido di Tella, has said he would consider paying the Falkland Islands' 2,000 inhabitants to accept Argentine sovereignty.

In an interview, Mr Di Tella said: "We would be willing to pay some kind of compensation in exchange for Argentine sovereignty, but we do not want them to be paid to get out of the islands."

Mr Di Tella did not mention a figure, but implied it could be substantial. He said former UK government adviser Alan Walters had proposed a similar solution to the dispute over the islands, which led in 1982 to a 74-day conflict between the two countries.

Mr Di Tella reiterated President Carlos Menem's claim that the islands would "revert" to Argentina by the year 2000 through peaceful diplomacy and by convincing the islanders to accept Argentine rule.

However, Mrs Sharon Halford, a Falklands councillor, said: "I don't think this would be viewed very favourably. Money is not everything. If they bought someone out, where would they go?"

Mr Di Tella denied that payments would be made to encourage people to leave the Falklands and settle elsewhere. He said, "We want to be very respectful of these 2,000 people. They have lived there for a long time and have a special way of life, and if necessary we are ready to consider monetary compensation for the psychological disturbance" of ceding sovereignty.

● AP reports from La Paz, Bolivia: Congress impeached the Bolivian Supreme Court's president and its No 3 judge on Saturday after finding them guilty of soliciting bribes from a suspect in return for protecting him from extradition.

Nigerian election winner in hiding

The Nigerian military, getting tougher on the anniversary of the election it nullified, offered a reward yesterday for the capture of Mr Moshood Abiola, a fugitive tycoon who tried to claim his mandate by declaring himself president, AP reports from Lagos.

General Sani Abacha, The military ruler, marked the annulment of the presidential election a year ago with a nationwide television address during which he threatened to punish opponents of his rule.

"...Choosing the path of confrontation and subversion at this time of our national history would not be tolerated. Such acts would be sternly punished," Gen Abacha said.

He also promised to return Nigeria to "genuine democracy", but like previous military dictators who have ruled Africa's most populous nation, he gave no timetable for this.

Mr Abiola gained the most votes in the election when the ruler at the time, Gen Ibrahim Babangida, suddenly voided the ballots, triggering riots that killed an estimated 200 people over three days.

Gen Babangida resigned last August, naming a civilian supporter in his stead. Gen Abacha forced his way into power in November and dismantled the nation's elected Senate, lower house, 30 state governments and more than 500 local legislatures.

He has made it a treasonable offence to criticise his government, and on Saturday ordered the arrest of Mr Abiola after the businessman declared himself president.

State media said a reward of 50,000 naira (£1,515), at the official rate, was being offered for information leading to the capture of Mr Abiola.

Mr Isiaka Adeleke, former governor of Osun state, who lost office when Gen Abacha dissolved all civilian political posts, said Mr Abiola was safe at a secret location in Lagos.

He said Mr Abiola travelled on Saturday evening to a city park for a ceremony in which he was sworn in as president. Mr Adeleke said between 2,000 and 4,000 people were present at the largely symbolic ceremony.

S Yemenis welcome UN envoy

Northern Yemeni forces pushed to within 20 miles of the southern Yemeni city of Mukalla yesterday but were ordered not to shell it, Reuter reports from Maifa, Yemen.

In the city, southern Yemenis welcomed UN peace envoy Lakhdar Brahimi, who is expected to meet Ali Salem al-Baidh, president of the southern state which seceded from a four-year union with the north on May 21.

Mr Brahimi, a former Algerian foreign minister, is trying to arrange a ceasefire between Sanaa and Aden. He met Yemeni President Ali Abdullah Saleh in Sanaa last week.

Deputy prime minister Abdul-Qader Bagammal told a news conference in Sanaa that northern troops were under orders to keep their artillery just out of range of Mukalla, which contains many historic buildings, an airbase and an oil export terminal.

Meanwhile northern forces have taken control of a huge central chunk of what was, before unification in 1990, South Yemen.

New York plan for street cars

New York's city council has approved a plan to bring back the trams or street cars that last rattled around the city half a century ago, Richard Tomkins writes from New York. A vote in the council at the end of last week will allow officials to seek bidders for a $135m (£90m) project to build a 2.2m tramway running the length of 42nd Street from one side of Manhattan to the other.

The project is intended to cut traffic, pollution and noise, speed up travel across midtown Manhattan and help bring about the regeneration of 42nd Street. Years ago the street was famous for its nightlife, but much of it is now rundown and sleazy.

Gaidar founds party

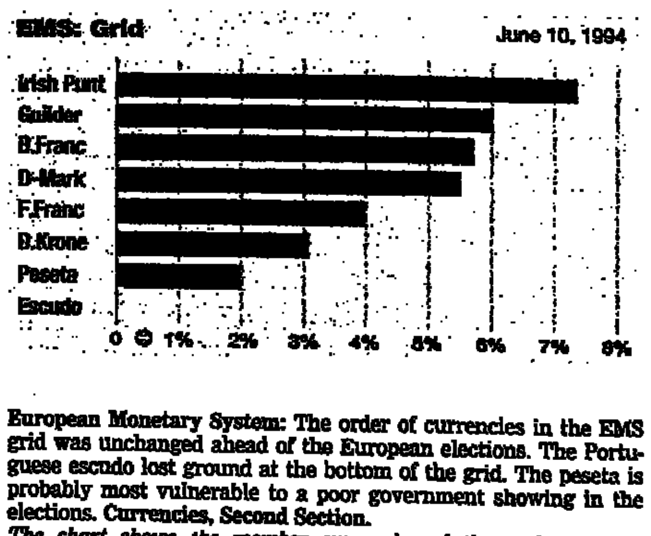
Mr Yegor Gaidar, former deputy prime minister and engineer of Russia's market reforms, yesterday founded a new party called Democratic Choice of Russia which he promised would be the most disciplined of liberal parties to compete in elections scheduled for 1996, Leyla Boulton writes from Moscow. The party is being built on the rump of last December's ill-fated electoral alliance known as Russia's Choice, which united a variety of anti-Communist parties and movements but did badly in the elections despite support from the state-owned media. Mr Gaidar said the party, which would be a guarantor of market reforms, would have to be disciplined "otherwise our struggle with conservative forces will recall a battle between cavalry and an armoured division".

Kyrgyzstan 'needs Russia'

Mr Askar Akayev, the reformist president of the poor and remote republic of Kyrgyzstan, was quoted at the weekend as saying that his country was doomed by its backwardness to return to Russia's economic orbit, Leyla Boulton reports. According to the Russian Information Agency, President Akayev, in a surprisingly frank description of his nation's prospects, said its industry could not attract "serious" foreign investment and would remain "on the sidelines of economic progress" for at least 10 to 15 years.

Mexican rebels spurn offer

Rebels in Mexico's southern state of Chiapas rejected the government's peace offer, saying their local demands were met only partially and that permanent peace could only be achieved via a nationwide democratic transition, Ted Bardacke reports from Mexico City. They also pledged to maintain the ceasefire that has held since mid-January. The peace offer, which emerged from negotiations in the Chiapas city of San Cristóbal de las Casas in March, was rejected by 97.88 per cent of the rebel forces and their supporters in voting held over the past month, according to a rebel communique.



European Monetary System: The order of currencies in the EMS grid was unchanged ahead of the European elections. The Portuguese escudo lost ground at the bottom of the grid. The peseta is probably most vulnerable to a poor government showing in the elections. Currencies, Second Section.

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder, which move in a 2.25 per cent band.

US university moves to cut grade expectations

Students may fail again, reports Jeremy Kahn

From the autumn of 1995, a student at Stanford University in California may actually fail a course for the first time in 24 years.

The faculty senate at Stanford, consistently ranked one of the top five universities in the US, voted this month to reinstate the grade Fail, though it will be called, euphemistically, "NP" (not pass). Failing marks were eliminated in the late 1960s in the belief that they discouraged students from academic experimentation.

Stanford also voted that transcripts, which record course-by-course academic performance, should more accurately reflect students' academic history. Previously, students could drop a course up to the day before the final exam and repeat a course as many times as they wanted, without this being recorded on their transcripts.

Stanford is the latest battleground in the war against "grade inflation", the term coined to describe the noticeable rise in the average grades being given out at colleges and universities across the US over the last 30 years.

The phenomenon, which has left some experts asking if degrees and transcripts are worth more than the paper they are printed on, has received widespread attention in academic circles and has even been mocked in the popular cartoon strip Doonesbury.

Anyone who thought Doonesbury's creator Garry Trudeau was exaggerating need look no further than Stanford, where the mean grade is A minus and 93 per cent of the grades given out are As or Bs.

"Most of your prestigious universities have grade inflation," says Mr Martin Anderson, a senior fellow at the Hoover Institution at Stanford. "When you get to the point where Stanford is, I call that hyperinflation or phoney grades."

Mr Anderson believes even the best universities have become "diploma mills" churning out devalued degrees that tell little about actual academic achievement. He warns all prospective employers and graduate schools to look at more than transcripts and grade point averages in assessing potential.

Mr Thurston Smith, Harvard's associate registrar, disagrees. He contends high admission standards at top schools such as his mean any graduate will be bright and have enormous potential.

Even so, Mr Smith admits average grades at Harvard have been creeping up for the past 20 years. "We've done some studies on it and we know it is happening here," Mr Smith says. "We don't have A-plus at Harvard so we may have to add it. We need a grade higher than A."

It is a rare college that has escaped the phenomenon. Two of the best that have, according to Mr Anderson, are the science-oriented Massachusetts Institute of Technology and the University of Chicago, where Mr John Boyer, dean of the college, says the average grade is B-minus.

While Mr Smith says grade inflation affects all academic disciplines equally, Mr John Wakeman-Linn, a former economics professor now at the International Monetary Fund, found in a study that it is worse in the humanities and social sciences, where grading is more subjective.

Mr Wakeman-Linn says the promise of higher grades in these subjects is luring students away from the so-called "hard sciences" such as physics and maths.

The roots of grade inflation are complex. Some experts believe it began as an attempt by professors in the late 1960s to keep more students in college and out of the Vietnam war. Others blame a general relaxing of conventional academic standards in the late 1960s and early 1970s or university budgeting that allocated money to departments based on their enrolments, encouraging professors to inflate their grades to attract more students and thus resources.

NEWS: INTERNATIONAL

China urges more talks on N Korea

By Tony Walker in Beijing and John Burton in Seoul

China yesterday made its strongest plea yet for renewed diplomatic efforts to resolve the argument over North Korea's reluctance to open its nuclear sites to inspection. Mr Qian Qichen, China's foreign minister, reflecting Beijing's growing alarm on the possibility of United Nations sanctions on Pyongyang, urged the international community to refrain from "closing the door".

Sanctions, Mr Qian told the visiting Japanese foreign minister, Mr Koji Kakizawa, could only intensify the "contradictions" and even lead to results that all parties would not like to see.

However, in Seoul, the US, Japan and South Korea, after holding discussions in the South Korean capital at the weekend, reaffirmed their determination to push for the phased introduction of UN sanctions against North Korea unless Pyongyang accepts international nuclear inspections.

Russia also indicated its willingness to support sanctions after the US endorsed a Moscow-sponsored international conference that would attempt to resolve the North Korean nuclear issue.

Invited participants to the conference would include North and South Korea, the US, Russia, Japan, China, the UN and the International Atomic Energy Agency, the UN's nuclear watchdog.

Mr Qian's statement reflected Beijing's fears that a sanctions process backed by the US and its western allies might develop a life of its own and lead eventually to a dangerous confrontation with North Korea.

"We appeal to the parties concerned to make efforts to open dialogue and seek a way of settling the problem step by step," said Mr Qian.

Beijing is now at the centre of intense international efforts to defuse the Korean crisis, recently receiving foreign ministers of both South Korea and Japan as well as the chief of staff of the North Korean armed forces.

Mr Qian appeared to foreclose the possibility of early Chinese support of sanctions. The US and its allies may proceed as early as this week before the UN Security Council to put forward a resolution calling for phased sanctions.

The IAEA has warned that the opportunity may have passed to verify whether North Korea has diverted weapons-grade plutonium from spent fuel rods at a reactor near Pyongyang.

On Friday, the IAEA voted to suspend technical assistance to North Korea in protest at its refusal to open its nuclear sites to inspection. China's IAEA delegate abstained.

Meanwhile, former US president Jimmy Carter will arrive in Seoul tomorrow on his way to Pyongyang, where he will meet North Korean president Kim Il-sung in what is described as a private initiative to maintain dialogue between North Korea and the US on the nuclear issue.

Death sentence for attack on Taiwanese

Yu Aijon, handcuffed, is flanked by police as he leaves the Hangzhou People's Court yesterday after being sentenced to death along with two other men for the murder of 32 Taiwanese tourists on a pleasure boat in China's coastal Zhejiang province on March 31, Agencies report from Taipei.

Delicate relations between Beijing and Taipei reached their lowest ebb after the attack, but bilateral relations appeared to improve after China arrested the three men in April.

Taiwan plans to hold a new round of high-level talks with the mainland Chinese government in Taipei in August, according to a Taiwanese newspaper.

The Straits Exchange Foundation plans to invite Mr Tang Shubei, secretary-general of China's Association for Relations Across the Taiwan Strait, to travel to Taipei in August for talks on how to expand contacts between the two bodies, the China Times reported.

Beijing tightens up on gold trade

By Tony Walker

China will crack down on black-market gold trading from the end of this month, in an effort to re-establish the state monopoly over the buying and selling of the precious metal.

The authorities also said at the weekend that futures trading in gold would be banned.

The People's Bank, China's central bank, which is responsible for gold acquisition, reported that in the first four months of this year gold purchases were down by 35 per cent on the same period in 1992. China's central bank purchases of gold last year plummeted 32 per cent from 1992. This followed growth of a rampant black market.

A circular issued by the State Council, China's cabinet, said officials who allowed a black market in gold to continue after July 1 would be "charged and punished". Mines that failed to sell their gold output to the state would be denied government loans and tax breaks.

The circular also urged the People's Bank to increase the gold price to international levels. China last September doubled the gold acquisition price to Yn2,986 (£229) a troy ounce, about 10 per cent below the world market. China produced 100 tonnes of gold last year and imported 150 tonnes. Most of this was used to make jewellery. China is the fourth biggest gold consumer after India, the US and Saudi Arabia.

● Reuter adds from Beijing: China, blaming blind speculation on international futures exchanges for big foreign exchange losses, said it would allow Chinese brokerages to place orders only on domestic exchanges. "The state will strictly control futures trading outside the borders," the official People's Daily said.

The worst in Japan is over, survey suggests

By William Dawkins in Tokyo

A faint economic dawn is beginning to dispel Japan's longest recession in post-war years, yet the rising sun looks anaemic.

The latest survey of business confidence ("Tankan") by the Bank of Japan last Friday, showing the first upturn in sentiment for five years, was the latest in a series of indicators that not only is the worst over but an upturn has tentatively begun.

The publication this week of gross domestic product figures for the first quarter to March is expected to confirm this. Several forecasters expect a small rise from the previous three months, perhaps a fraction of a percentage point, with a decline of a similar order from the same period last year.

Few in Tokyo now doubt that the recession is past or at least near the bottom. The main evidence includes a rise in industrial production from the final quarter of last year to the first three months of this, plus increases in imports, household spending, construction contracts and an acceleration in the rate of growth in housing starts over the same period.

At the same time, the rate of decline has slowed in supermarket and department store sales, car registrations and machinery orders.

The big question now is in what kind of shape Japan's economy will emerge from the recession. Is it really anaemic, or leaner and meaner than in the fast-growth late 1980s?

In the short term, at least, the latest economic statistics suggest a weaker recovery than from the previous two downturns, in the early and mid-1980s.

For one thing, the Tankan shows that Japan's corporate restructuring, so far gentle by US and European standards, still has some way to go – not a problem in the previous upturns.

The gap between output and demand is still high, though declining. This is shown in the Tankan by a decline in the percentage balance between companies reporting excess and insufficient supply from 55 in the previous survey in February to 50 in May.

> Is the economy really anaemic, or leaner and meaner than in the fast-growth late 1980s?

One consequence is that companies, in particular those in manufacturing, plan to cut their workforces by about 1 per cent, a further drag on consumer spending. Another is that they plan to reduce capital investment – by 3.7 per cent, for the third year running – so hitting suppliers of capital equipment.

The general tone of the Tankan was, however, strong enough to give the Bank of Japan an argument not to cut its 1.75 per cent official discount rate (ODR), at which it supplies funds to commercial banks. The BoJ has guided overnight market rates – at which commercial banks lend to one another – to a record low of just over 2 per cent, very close to the ODR. Another drop is seen by many as a vitally-needed step to stimulate the fragile recovery.

Yet central bank officials have talked in recent weeks of controlling the risks of recovery, rather than easing credit further, a sign that the lesson of the late 1980s' liquidity-fuelled explosion in asset prices is still etched deep in their minds.

All this is worrying for those who fear that tight credit could throttle the recovery. For despite the central bank's strategy of driving down overnight rates, bank lending remains weak. There was a 1 per cent annualised decline in new loans by the 11 city banks last month, the Federation of Bankers' Associations says.

All this indicates that the after-effects of the recession might take a year or two to evaporate. Many economists in Tokyo assume that Japan has lost one or two points from the average 4.5 per cent GDP growth rate it experienced in the 1980s.

Of course, they could be too pessimistic, an over-reaction to the false economic dawn that appeared in spring last year. Corporate Japan could yet surprise the world with its hidden strength, as it has done before.

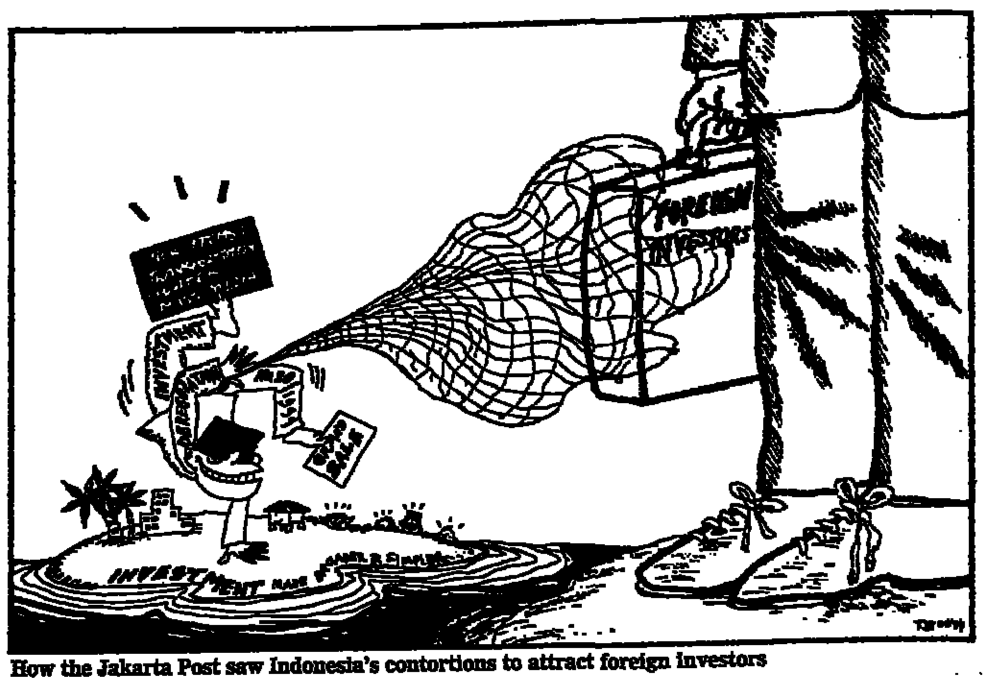
The latest forecasts of Japanese companies' pre-tax profits by four Tokyo economic research groups range widely, from a 2.7 per cent decline by Nomura Research Institute to a 7.4 per cent increase by Nikko Research Centre. But the four, who published their forecasts late on Friday, expect corporate Japan to show profits growth of between 20 per cent and 25 per cent the following year.

INTERNATIONAL PRESS REVIEW

Jitters over foreign investors

INDONESIA

By Manuela Saragosa



How the Jakarta Post saw Indonesia's contortions to attract foreign investors

The widely-used derogatory Indonesian term for westerners is *bule* – which translates as albino – and over the past week, the prospect of *bule* capital entering Indonesia's media sector has been a hotly-debated topic in the national press.

It was sparked off by a foreign investment deregulation package from the government which promised to abolish restrictions on foreign equity and open up sectors such as media, seaports, telecommunications, nuclear power, railways and civil aviation, all of which had previously been barred to foreign ownership.

Most newspaper editorials have indicated that, while they can tolerate foreign ownership in most sectors, the media are off limits. Television stations and newspapers, they argue, are the "tools of national struggle".

Leading that line of argument are the dailies *Republika* and *Kompas*, widely regarded as pro-establishment newspapers. "If foreign capital is allowed to enter the press world in Indonesia many things can happen," warned an editorial in *Republika* last week. "The spirit of nationalism may be given second class status by the capital owners."

In a country where political labels such as "nationalist" or "reformist" are more appropriate than left-wing or right-wing, foreign investment deregulation treads on sensitive ground. Nationalists argue that keeping the national spirit alive and well is paramount because Indonesia's 180m people are made up of hundreds of ethnic groupings.

Ironically, foreign investors have expressed little interest in placing money in the Indonesian media because of the arbitrary restrictions imposed on public debate. An editorial in the widely-read English language daily, the *Jakarta Post*, which usually takes a reformist line, asked, "Which foreign media baron would be willing to invest millions of dollars in a business that runs the risk of having its licence revoked at any moment for publishing the wrong kind of information?"

In fact, deregulation of the media sector flies in the face of a law dating from 1982 which stipulates that foreigners are not allowed to own newspapers or broadcasting stations. Newspapers and government ministers fighting the new regulation have not failed to point this out. But in a country where the rule of law has yet to find its grip, all that has resulted is confusion.

The deregulation package appears to have been slapped together in a hurry in order to counter falling foreign investment at a time when other Asian countries are attracting strong inflows.

This point was not lost on the weekly *Economic & Business Review Indonesia*, which noted that because of the rush "the impression that has been created – intentionally or otherwise – is that there was a lack of co-ordination among government agencies whose domains were to be reformed."

The likelihood is that ministries did not bother to consult one another at all. Foreign investors, used to this state of affairs, barely raised an eyebrow when President Suharto was reported to have said that the media would remain closed to foreigners only four days after the deregulation package was announced by senior ministers.

Mr Suharto reacted to pressure from Mr Harmoko, information minister, who teamed up with local journalists and publishers, arguing that foreign capital in the media sector threatened Indonesia's national integrity and exposed it to foreign influence.

It was a humiliation for the cabinet's economic team. Mr Sanyoto Sastrowardoyo, chairman of the Investment Co-ordinating Board, was quick to tell local reporters that people should give the reform team enough time to review the whole package.

Attempts are being made to boost the role of parliament in policy formation, instead of ministerial decree, but no one yet really knows how to go about implementing new policies. "There has yet to be a method of establishing such vital policies as economic reforms which are then willingly accepted by parliament, the executive branch of government and the people in general," said *Business & Economic Review Indonesia*.

The latest foreign investment deregulation package differs from other deregulation measures in that it introduces drastic changes in one go.

As a result, even the most reformist of newspapers have joined up with the more nationalist ones in calling for caution from the government. "A note of caution is still in order," an editorial in the *Jakarta Post* said. "Extra care is needed because the government should see to it that the entry of foreign ventures will not harm the public interest."

Phrases such as "national interest" and "public interest" have been used repeatedly in discussing the deregulation package, although few editorials have ventured to define them. Only *Kompas* tried to be more precise by commenting that "the government must remain in control of the economy so that economic activities are truly aimed at bringing about prosperity for the people as a whole."

Although the government has become more tolerant of criticism over the last year, perusing Indonesian newspapers is often an exercise in reading between the lines. *Kompas*' comment on government control of the economy may have been made with reference to foreign ownership of businesses but it is also a reflection of growing concern throughout the country that gradual deregulation of the economy over the past 25 years has done little to improve the distribution of wealth.

Candidates for Labour leader clash on jobless

By Kevin Brown and James Blitz

Full employment emerged as the central issue in the campaign for the leadership of the opposition Labour party yesterday, as Mr John Prescott and Mr Tony Blair clashed over whether a Labour government should set targets for cuts in unemployment.

As Mr Ken Livingstone joined four other candidates seeking to succeed the late John Smith, a telephone poll for Granada Television confirmed that Mr Blair, shadow home secretary, is the most popular candidate among voters.

The poll, which was not restricted to Labour members, gave Mr Blair 42 per cent support. Mr Prescott, shadow employment secretary, won 30 per cent, Mrs Margaret Beckett, acting leader, 23 per cent, and Mr Denzil Davies, a former treasury minister, 5 per cent.

Mr Blair, the candidate of Labour's dominant modernist wing, warned on BBC Breakfast with Frost that Labour should avoid setting unemployment targets it might not be able to keep.

"What we are about is not remaining a party of opposition but moving to be a party of government," he said.

Mr Prescott, whose support is mainly on the party's traditional socialist wing, claimed that a Labour government would have to set targets to retain credibility with the electorate.

He said : "I believe we will have to set ourselves a target . . because I don't think the people in this country are going to be satisfied with rhetoric. Let the politicians be judged on how many people they get back to work."

Mr Prescott, who called for a "crusade" to put unemployment at the top of the political agenda, declined to define full employment or indicate what targets a Labour government should set.

But he said big cuts in unemployment could be financed by raising taxes on the better off, making joint venture infrastructure projects easier, and allowing local councils to spend £6bn of accumulated capital receipts.

Mr Prescott also injected a note of controversy into the contest by combining his blunt rejection of Mr Blair's cautious approach to full employment with a withering attack on Labour's "tendency to avoid difficult questions" in favour of "easy answers" and "warm language."

Mr Livingstone, the MP for Brent who unsuccessfully sought nominations for the leadership in 1992, said he was prepared to stand as the candidate of the left-wing Campaign group of MPs. Mr Jeremy Corbyn, MP for Islington North, will seek election as deputy leader.

Mr Davies, who will campaign against Labour's economic policy and its commitment to the European Union, said he was confident of achieving the 34 nominations required to enter the race.

Strawberry fields almost forever

By Deborah Hargreaves

Strawberries are as much an essential part of the British summer as the Wimbledon tennis tournament and racing at Ascot, but this year's crop could well come from plants shipped in from Argentina last year.

Britain's £80m strawberry industry – the bulk of it is concentrated in England – has managed to manipulate the growing season for its crop to such an extent that it can ensure a steady flow of strawberries from April until early October.

In the face of rising demand for the flavoursome English fruit, farmers have pushed out the boundaries of the traditional three-week season.

Plants from typical English varieties are cultivated in the southern hemisphere and then shipped to Britain while they are still dormant from the southern winter. They start to produce fruit much later in the season.

Other plants will have spent the past few months in the deep freeze, which means they can be planted out later in June and July to produce fruit in early September.

Discerning customers are so eager for English fruit that they are prepared to pay almost twice as much as for Spanish and US strawberries in the early season, when fruit is grown under glass.

Mr Simon Brice, who has 1m plants in his cold store at Mockbeggar farm near Higham, in Kent, said: "We've always grown a few late berries but now there's such huge demand for English strawberries. The supermarkets are not interested in anyone who has a three-week season for anything."

Mr Brice, who sells 500 tonnes of strawberries a year, said that about half of the nation's strawberries are now eaten outside the traditional season, compared with about 30 per cent 10 years ago.

He said: "For every three strawberries we sell in Wimbledon fortnight, we want one in August and half of one in September."

Mr Richard Harnden, managing director at Commercial Fruit Plants in Romney-Marsh, Kent, has pioneered the growing of plants in Argentina. These plants are being frozen for the trip back to Britain, where they are planted in greenhouses in late July.

They produce their first crop in September and early October and manage to fruit again in April the following year.

Mr Harnden's initial trials with relatively small numbers of plants have been so successful that he is hoping to expand significantly next year.

Fruit grower Simon Brice at work on his farm in Kent, which sells 500 tonnes of strawberries a year Picture: Ashley Ashwood

Container run to Italy set for tunnel launch

By Charles Batchelor, Transport Correspondent

The Channel tunnel makes its first contribution to moving freight traffic from road to rail tonight with the start of a container service to Italy.

The launch of long-distance freight services will provide a link between the 10,000 miles of British Rail track and the 150,000 miles of continental European railways.

Until now the British rail network provided few routes long enough to make freight transport economic.

The container service is run by Combined Transport (CTL), a joint venture between European haulage companies and British Rail's freight division. Mr François Leclercq, managing director of CTL, called it "the most important development in European freight transportation for 50 years."

The first long-distance freight train carrying containers will leave a depot in Wembley, west London tonight and arrive in Milan early on Wednesday, its load including tank containers for non-hazardous chemicals, and "swapbodies" – bodies which can be detached from a lorry chassis.

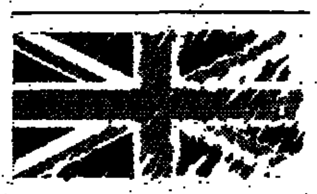
The inaugural train will carry 20 to 22 containers or swapbodies, each with cargo weighing up to 50 tonnes. The through-tunnel train will assemble in London but consist of loads brought from terminals in Glasgow, Manchester and Birmingham.

At first the service will consist of two or three trains a day in each direction to destinations in France, Switzerland, Luxembourg and Italy. From September the service will also cover Austria and Spain. Mr Leclercq said Germany might be added but it was difficult to obtain attractive rates for shipments to German destinations.

● Passengers who took part in a Channel tunnel evacuation rehearsal were later delayed by a real breakdown. The failure, affecting the overhead power line feeding the £23m Eurostar train, was the third reported breakdown in the tunnel in the five weeks since it was officially opened. The first two involved freight shuttle trains.

A Eurostar spokesman said engineers were investigating the fault.

Britain in brief



Bankruptcy cases face rapid closure

Official files on thousands of UK liquidations and bankruptcies are to be earmarked for rapid closure in a move that will raise fears they will escape adequate investigation for potential fraud.

Staff at the government's Insolvency Service are under instructions to identify at least 11,000 cases to be closed without any detailed examination between today and July 8, according to an internal memo obtained by the Financial Times.

This target is more than half the entire number of cases completed by the service last year, and comes in response to ministerial pressure to reduce a backlog of files as rapidly as possible.

The memo, written earlier this month by Mr Michael Osborne, the Senior Official Receiver, warns the number of investigative reports carried out by the agency will be cut below its plans and that other targets will be "affected adversely".

"You will need to review the file thoroughly, but not in depth," says an attached note of guidance. "Do not spend time on . . potential offences or possible areas of investigation. It is anticipated that on average it will not be necessary to spend more than an hour on each review."

The drive to close more files follows the National Audit Office's criticisms of the Insolvency Services for failing to seek disqualification of a greater proportion of company directors who have broken the law.

Oil tax dispute may widen

A tax dispute between Britain's Inland Revenue and some UK oil companies could widen this week as additional companies review whether to join Elf Enterprise and Lasmo in issuing writs against the revenue.

The dispute is over conflicting interpretations of provisions in the 1990 Finance Act relating to interest payments on tax rebates in previous years. The revenue says the 1990 act capped the amount of release a company could offset against past profits. The dispute turns on the revenue's claim that total relief should not exceed a companies current loss.

On Friday Lasmo, the independent explorer, issued a writ for £39m. Earlier Elf Enterprise, the joint venture between Elf Acquitaine of France and Enterprise Oil, the UK's largest independent, had issued one for £70m.

Inland Revenue said it expected that the cases would eventually be decided by the courts, as it "could not accept the reasoning" of the companies involved.

Building trade deficit falls

Britain's trade deficit in building materials fell by 16.7 per cent last year to 1.44bn the lowest figure since 1986.

The improvement was led by a 15 per cent rise in the value of exports which increased from £2.3bn to £2.6bn according to figures published by the environment department.

There is concern however that the deficit may be poised to rise again as material bottlenecks start to emerge as the construction industry recovers. Prices of a number of British produced materials and components have risen sharply this year.

Sales abroad by British companies, however, have been boosted by sterling's devaluation since autumn 1992 and by very big productivity gains.

British steel suppliers and fabricators have been particularly successful in breaking into continental markets. The trade surplus in structural steel, for example, almost trebled last year from £65.3m to £179.9m.

Science PhDs going abroad

One in five of the UK's recently qualified PhD scientists goes overseas for further study or employment, the Institute of Manpower Studies says today.

This figure covers the five "core" sciences of biology, chemistry, mathematics, engineering and physics, and suggests that the "brain drain" away from the UK is continuing unabated.

Transmitter decision soon

The British government is exploring ways of trying to introduce private money and expertise into the management of BBC transmitters.

Ministers hope to take decisions on the future of the BBC transmitters in the next few weeks, but it is clear that the status quo – a wholly-owned BBC transmitter system – is no longer an option. Full privatisation is also unlikely, although it has not been formally ruled out.

The search for a compromise revolves around a number of options, ranging from bringing in large outside commercial shareholders, or private investment, to a form of management buy-out. In both cases the BBC would retain a large stake.

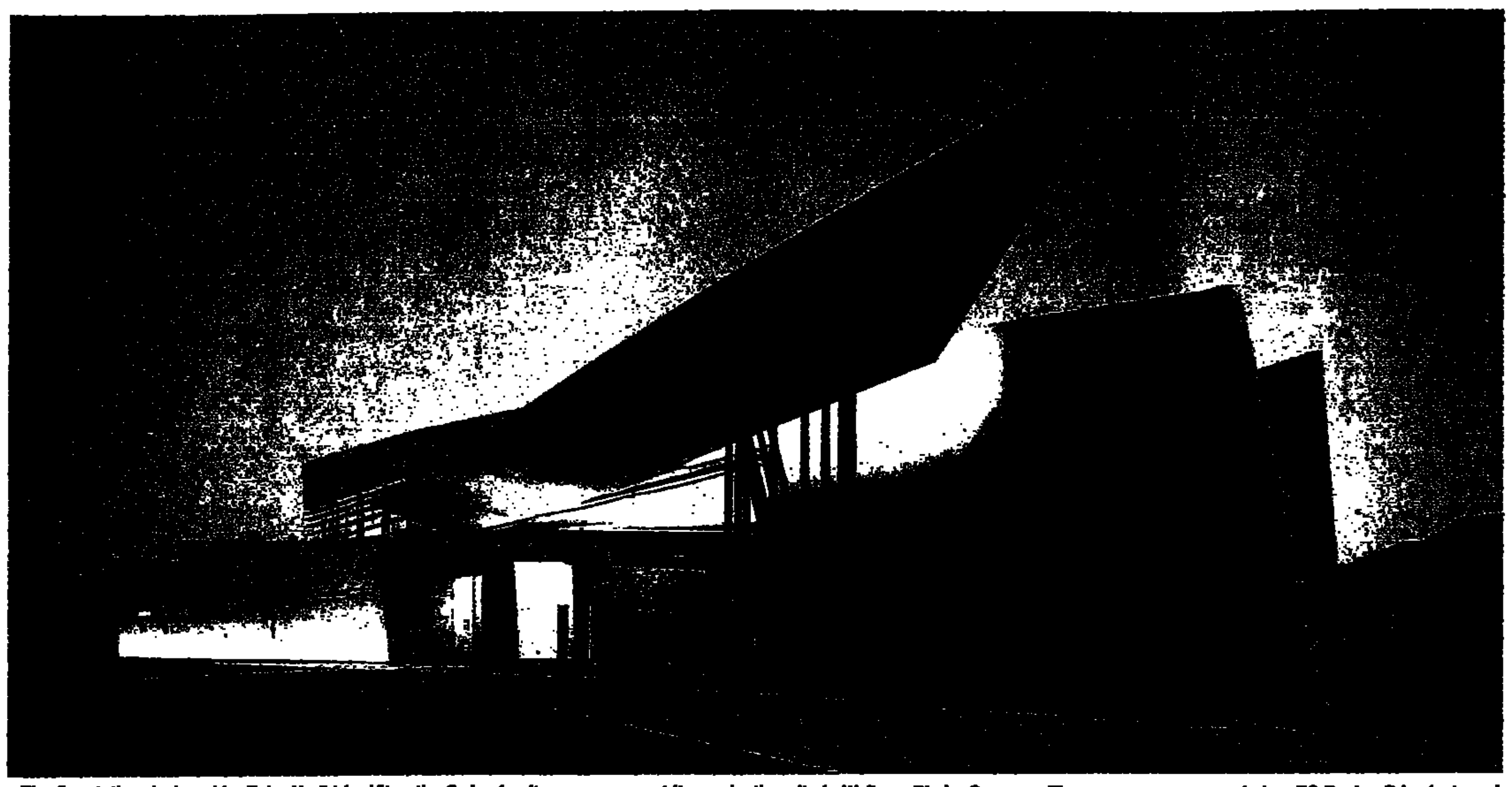
FINANCIAL TIMES SURVEY

Individual designers each choose a favourite product: Page III

DESIGN IN EUROPE

This year's EC Design Prize winners line up for awards: Page IV

Monday June 13 1994



The fire station designed by Zaha Hadid for Vitra, the Swiss furniture company, at its production site in Weil-am-Rhein, Germany. The company was awarded an EC Design Prize last week

In the competitive international markets of the 1990s, design is more important than ever. European companies must use it more imaginatively if they are to prosper. Alice Rawsthorn reports

Talent needs intelligence too

Locked in a secret room in the labyrinthine headquarters of Thomson Consumer Electronics in Paris are a dozen or so television sets which, or so the company hopes, will bring it back into the black after years of losses and spark a revolution in the recession-scarred European electronics industry.

The televisions, which will remain shrouded in secrecy until their launch this September, are the legacy of Thomson's liaison with Philippe Starck, the superstar French designer who became its artistic director last year. Most "new" electronic products look like updated versions of their predecessors – or competitors, but these designs ooze lateral thinking. They seem so fresh and so different from anything else on the market that it looks as though Starck must have started from scratch by dreaming up the type of television the company's customers would *like* to own.

Thomson knows that the iconoclastic designs are a gamble. Yet it is convinced that European consumers are so bored by what Starck calls the grey boxes now on the market that they are ready for something new. "For years companies have been trying to sell new products with a new techno-this, or new techno-that," says Starck. "People take technology for granted these days. What they want are warm, friendly products – something to seduce them."

Thomson is not the only European company to have come to the conclusion that, after a frustrating decade of losing market share to the Japanese and Americans, it could regain a competitive advantage by adopting a more imaginative approach to design.

Olivetti, the Italian information technology group, is revising its design strategy as part of its corporate overhaul. Volkswagen and Mercedes-Benz, the German car companies, are taking a fresh look at their new models for the mid-1990s following Renault's success with the Twingo, its funkily futuristic new city car.

The concept of design as a competitive tool has been conventional wisdom since the early 1900s, when Peter Behrens, a German architect, transformed the fortunes of AEG's industrial empire with a crack team of designers including Walter Gropius and Ludwig Mies Van Der Röhe, the founding fathers of the Bauhaus. Iconoclastic design has since been central to other European successes – from Flaminio Bertoni's 1955 Citroën DS19, to Ettore Sottsass's 1969 Olivetti Valentino typewriter.

Europe still has an abundance of design talent. Gert Dumbar, Fabien Baron and Neville Brody are among the world's most influential graphic designers, as are Philippe Starck, Jasper Morrison and Marc Newson in furniture; and John Galliano, Vivienne Westwood and Martin Margiela in fashion. Some companies have exploited their skills,

Not many companies have made the most of design on a large scale

such as Vitra of Switzerland, which has become a world leader in office furniture (and last week won one of this year's EC Design Prizes), thanks partly to its liaison with designers such as Starck and Morrison.

Yet successes are still outnumbered by failures. There is still a dearth of European companies which have made the most of design on a large scale. The excuses are legion: everything from failure of nerve and the lowly status of designers in the corporate hierarchy to disillusion with the superficial use of design as a styling tool in the 1980s. Is it realistic to expect European companies to adopt a more intelligent approach in the future?

The blunt answer is that they do not have a choice. It cannot be a coincidence that some of the new converts to design, notably Thomson Consumer Electronics and Renault, are in dire financial straits. Volkswagen's decision to unveil Concept 1, the acclaimed new Beetle prototype, at this year's Detroit Motor Show was interpreted as an attempt to distract attention from its industrial espionage row with GM and atrocious US sales figures.

There are also positive reasons why European industry might re-assess its approach to design. One is the significant shift in consumer attitudes. The increase in prosperity from the 1950s onwards encouraged consumers to purchase a range of new gadgets such as refrigerators, freezers, colour televisions and video recorders. Today's consumers are less impressionable, more discerning, aware that unnecessary expenditure is bad for their ecological consciences, as well as their bank balances.

This means that manufacturers must work harder to attract consumers by adopting more imaginative strategies. Design can play an important part in that process, providing it is properly integrated with other areas such as production planning and communications.

"Public perceptions are shifting from quantity to quality," says Stefano Marzano, design director of Philips, the Dutch electronics group. "New technology dominated product development in the 1980s, but it's not an end in itself. Why redesign a washing machine with 15 programmes so it has 20 or 25, when you know the consumer only uses six?"

At the same time, consumers do seem to be responsive to genuinely innovative products, which are visually stimulating as well as efficient. Renault almost lost its nerve when the Twingo's pre-launch research showed that 40 per cent of the

The new multimedia industry will create new areas of design

market "actively disliked it". The launch went ahead after Patrick Le Quément, design director, argued that "10 per cent would fall in love with it". The Twingo is now France's second best-selling car.

Consumer pressure for innovation comes at a time when many industries are accelerating product development plans in anticipation of enforced structural changes in their markets. The car industry is accelerating the development of micro-compact and electric cars to accommodate tighter environmental controls. The new multimedia industry will create new areas of design such as interfaces for home shopping and information systems. It should also fuel demand for new products in sectors such as office electronics and even furniture for those who want to work from home via modems.

Olivetti, which has used design successfully during past periods of transition, hopes to do so again as its old information technology activities are subsumed into the multi-media industry. "We know there'll be deep changes in the structure of our industry, but we don't know exactly what they'll be," says Michele de Lucchi, design director. "What we can do is use design as a tool to guide us – and our customers."

In practical terms this means that Olivetti is developing new products, notably multi-function machines such as combined fax and photocopiers. De Lucchi is also refining its styling by using bright colours and tactile materials so the sophisticated new machines appear accessible and easy to use.

This new era of product development coincides with structural changes within industry which are eradicating one of the old deficiencies of European design management: the failure to integrate design with other activities. Manufacturing systems are now so complex that it is increasingly difficult to separate different functions and to relegate design to the role of a superficial styling tool. The Twingo's development was facilitated by Renault's adoption of a Japanese team-based product development system.

Such changes create new opportunities, but they also pose huge challenges. European companies are under pressure to invest more intellectual energy in design – and to take adventurous decisions – at a time when confidence is still depressed by recession.

But the time is ripe for change. The defeats of the early 1990s must surely have shattered any lingering illusions about the play-it-safe policy of producing yet more over-programmed washing machines. The Twingo's triumph suggests there is an appetite for inventive European design. Thomson Consumer Electronics hopes to prove that when it unlocks the secret room containing Philippe Starck's television sets.

DESIGN IN EUROPE II

Christopher Lorenz assesses industrial design's commercial clout over the past 15 years

Skin-deep styling is not enough

From Olivetti to Fiat, Braun to Citröen, the commercial power of industrial design in Europe's mass markets – not merely the élite niches occupied by the likes of BMW and Bang & Olufsen – has been evident for decades to any manager who cared to look.

During the past 15 years, under a variety of influences (notably the exemplary effect of Sony and other Japanese imports), the proportion of companies which exploit industrial design to its full creative potential, rather than simply treating it as skin-deep styling, has started to soar.

Converts since the late 1970s include Philips, Volkswagen and Ford of Europe – whose commitment paved the way for its US parent company's conversion.

The remarkable success of the Ford Taurus, launched in 1985 and last year still the best-selling car in the US, has not only changed the face, but also the character, of American cars. And, more than any other single exemplar, it has fired a new commitment to design among a wide range of other US companies: for example, its arch-rival General Motors, Apple, Black & Decker, and Rubbermaid. (The last four companies all won gold awards in this year's US Industrial Design Excellence Awards, announced last month.)

The new-found pre-eminence of design in these companies' priorities is not merely a matter of copying the actions of successful rivals. It is also the result of careful strategic analysis.

This shows that, with technology, quality, low-cost manufacturing and high-class service all becoming competitive commodities as industries mature, a product's shape, feel and character – together with, wherever possible, some unique functional features – are some of the few ways in which a company can now differentiate itself from the competition.

Yet behind the new organisational awakening of design lies a set of paradoxes. If its commercial power has been manifest since at least the 1930s, why do so many managements still fail to recognise it?

Why have many design pioneers allowed their commitment to decay?

Why, when they do, have so many failed to give it sufficient weight within their organisation?

Why, in spite of repeated design-led successes in the marketplace, have many of the design pioneers allowed their commitment to design to decay?

The problem is not merely the generic tendency of any established organisational philosophy or practice to erode over time – much as marketing has shrunk in many consumer goods companies from an imaginative, broad-lensed way of thinking to a narrow set of processes and procedures.

Design's problem is much greater for several reasons:

- It tends to be overlooked in the strategic concepts which most managers use.
- Academics and consultants have failed to develop a powerful typology of the various constituents of design – the equivalent of marketing's "four P's". Various "harder" aspects of design need to be recognised.
- Design's historically junior position within the corporate hierarchy, buried deep beneath marketing or engineering, makes it hard for management to give it sufficient weight alongside other functions. This is true even in the rapidly growing number of companies where product development has been reorganised from a traditionally sequential set of department-by-department activities, into a parallel process in which specialists of all kinds work together in integrated teams.
- Even in companies where design is at last being taken seriously, it tends still to be seen only as a "soft", lightweight, right-brained activity by managers whose education has been largely left-brained, verbal, linear and analytical.
- In countries – unlike Italy and Japan – where right-brained, visual, synthesising skills carry a lower social status than left-brained, analytical ones, designers are seldom taken seriously by the organisations for which they work. They tend to be seen as third class citizens, rated even more lowly than the engineers.
- Even when top management recognises the potential power of design and the versatility of designers, and tries to unleash their hidden potential, the way is often barred by turf warfare with engineers and/or marketing specialists.

Most companies should discover design's potential role in strategy

Even among the corporate design pioneers, these inhibiting factors tend to assert themselves as the years pass, especially when the original top management gives way to a new generation. This is true of Olivetti, Braun and IBM.

For all these reasons, most companies need to undertake a voyage of "executive discovery" – or rediscovery – about design's potential role in strategy.

Under Mr Don Petersen, its former chairman, Ford undertook that voyage successfully, at least in the US. In Europe its commitment faltered a decade ago after launching its avant-garde Sierra, partly because of the car's early commercial problems but also because the company's long-standing power barons (its departmental heads) fought against the introduction of an effective cross-departmental system of "programme management."

Only when this was finally given its head, in the European-US Mondeo development project, could the European designers again pull their full weight as equal members of the product development team, along with engineering, production, marketing and so forth.

Ford's start-stop-start use of industrial design in Europe holds any number of lessons for companies which have yet to embark on their own voyage of executive discovery about the commercial power of design – or need to take a revision course.

The themes in this article will be explored in greater depth in Developing Strategic Thinking, a book edited by R. Garratt which will be published by McGraw Hill in the autumn.

Graphic designers work across national borders, writes **Rick Poynor**

Identities have to endure

For graphic designers who believe they have a vital message for business, the early 1990s is a period of both modest progress and – at times – frustrating retrenchment.

On the one hand, clients left reeling by designers making a hit-and-run dash for the fast buck in the 1980s are now understandably shy of sweeping invitations to throw out perfectly servicable identities and start all over again.

On the other hand, the future of almost any ambitious European business will lie as much outside its national borders as within them, and there is an all the more pressing need for design as a way of differentiating yourself.

"I don't think there's less work," says Chris Ludlow, a partner in Henrion, Ludlow & Schmidt, corporate identity specialists in London. "But there is more nervousness about making visual changes. People want to maintain or adapt or service their existing identities, but also to see them in the context of the total organisation. You can't always demand a clean sheet of paper".

Designers, like their clients, must increasingly think European if they are to thrive. A German partner helps to give Henrion, Ludlow & Schmidt a close understanding of the German mentality and market place. Clients include Beiersdorf (cosmetics and pharmaceuticals,) Krups and Volkswagen. Lloyd Northover Citigate, a 35-strong consultancy, numbers Banco Santander, Madrid, Intrum Justitia and Amsterdam among its clients.

But what makes a German manufacturer turn to a British consultancy? The answer lies in what Ludlow guardedly calls the "myth, or fact, of British creativity." The humour element," he adds, " is very much appreciated." At the same time, the very fact that design is so well integrated into German companies (there are fewer external consultancies; designers work in-house) means they often feel a need to go outside in search of a strategic overview. "A lot of the work they do on the continent is much more more formal – systems – less emotional and imaginative," says John Lloyd of Lloyd Northover Citigate. "Our style in the UK is closer to the US style."

Nevelle Brody, 'bad boy' turned international star, designed an indentity for Osterreichischer Rundfunk, the Austrian state broadcasting company

That may be so, but the designer working across national borders faces some obvious pitfalls. Is it possible to reconcile and satisfy the tastes of so many different markets without reducing the individuality of a country's graphics to an inoffensive but bland and flavourless Eurostyle, which ends up making everywhere look the same? As Lloyd himself concedes: "There is a danger that you try to please everybody and end up pleasing no one."

Lloyd Northover Citigate's railway identity and livery for European Night Services recently received approval from the Dutch, Belgium, French, German and British partners in the cross-Channel project. "It really is a pan-European brand," says Lloyd. "It's more to do with the benefits of the service than any of the destinations."

The other important changes in European graphics are being driven by technology. In design studios Apple Mackintosh's domination is now complete.

Neville Brody, the "bad boy" of 1980s design who became an international star, believes that the computer will force change at all levels of the design business. "The annual report still needs laying out," he says, "but more and more companies have gone in-house with their design because they *can* – it makes financial sense, it makes manpower sense. The outside designer's role is to come up with a structure, a language, and probably a series of digital templates. The age of the corporate design manual is completely finished."

Not quite finished, perhaps, but certainly evolving fast. CD-Rom-based identity management systems are already replacing cumbersome paper manuals. Electronic multimedia annual reports will soon be commonplace. The big studios may be slower to retool for change, but they can see it coming. Lloyd Northover Citigate has recently established a "new media group" to explore these issues.

But there is a larger problem. Whatever the merits of the identity specialists' strategic thinking, the design outcome is often disappointing. Since the 1980s, the gap between the larger, business-conscious consultancies and smaller creative teams has widened.

Ironically, the reason Neville Brody has been visible in the 1990s is because, like his larger rivals, he has been working on the continent – in France, Germany and Spain. His most elaborate commission, an ingenious indentity for Osterreichischer Rundfunk, the Austrian state broadcasting company (ORF), based on structure and graphic relationships rather than a simple inflexible logo, suggests that a reassessment is in order – not only of Brody himself, but of the way corporations commission their graphics.

Rick Poynor edits Eye Magazine

Re-thinking a corporate identity

Avant garde Dutch twist to a Danish tail

When the officials of Danish Post started to trawl around for a graphic designer to devise a new corporate identity to pave the way towards privatisation, one of their first stops was at Studio Dumbar in The Hague.

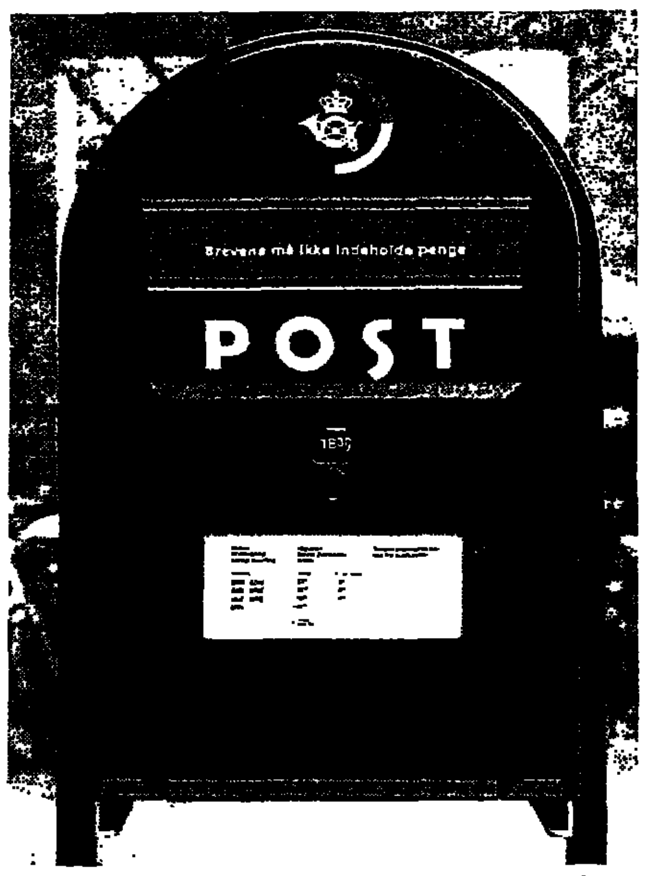
The Danes had admired the bold and, in some of its wilder manifestations, avant garde corporate identity that the PTT – the Dutch post office and telecommunications authority – had adopted in 1989. So much so, indeed, that they asked their Dutch colleagues at the PTT to advise on the creation of Danish Post's own new identity. The Dutch urged the Danes to seek the help of Studio Dumbar, the Dutch designers behind their own instant design classic.

The new Danish Post identity has been designed to cope with a number of possible futures

The Danes hedged their bet. To ensure that Studio Dumbar's unpredictable ideas were translated into something that would make sense to the Danish public, the designers were teamed with Kontrapunkt, a Copenhagen-based consultancy which has worked with Danish Post for 15 years. "Kontrapunkt is very good on solid, classic design," says Gert Dumbar, the charismatic front man of Studio Dumbar. "We're the opposite – coming up with new ideas and shocking the client."

An important part of the clever new Danish Post identity is the way it has been designed to cope with a number of possible futures. "We don't know today whether the Post will continue as a state company or as a privatised company," says Aksal Lessmann, head of communications. (This will not be decided until after the next Danish election this autumn.) "But we do know that we have to compete. We have to modernise and show the public that we are not so old-fashioned." Post offices will sell a much wider range of services and the company will compete more aggressively abroad.

The new identity was launched in March at six post offices – three of these in Copenhagen. Two more sites have been added since.



Studio Dumbar and Kontrapunkt designed Danish Post's new identity

The design preserves important elements of the original 1939 identity and its 1982 revision, the coach horn and the royal crown; but their colour has been changed from red to yellow and they have been set more forcefully in a red, round-ended box.

The "S" in Post is given a memorable – but also traditional – twist of the tail. Two new colours, green and blue, have been added to "signal the new business activities which are coming," says Kim Meyer Anderson, the Kontrapunkt team leader.

For the first time, the Danish Post has an identity which banishes confusion with its private post competitors. The inherent flexibility of the logo – the basis for a full corporate identity now in development – allows for later subdivision of the company along the lines of the Dutch PTT.

And in a country where the bright red postboxes are regarded by the public as "almost holy," the identity of Denmark itself is subtly strengthened.

Rick Poynor

John Thackara analyses the technological challenge for design

Leap to an interactive future

The development of interactive information and communications systems is the greatest challenge and opportunity for design since industrialisation.

The opportunity for design lies in developing products, or "content", to match the scale of the investments being made in the infrastructure: as much money will be spent on networks between now and 2000 as was spent on all telephone systems and equipment since Alexander Graham Bell invented them.

Penetrating this gigantic new market, however, will require a cultural shift within the design business; much of the industry still suffers from a tendency to operate in relative isolation from its clients, and believes that a "design" is a finished product or environment or piece of print – not something intangible such as an interactivity programme.

Some designers are adapting faster than others to a new business environment transformed by new technology and process re-engineering. Architects seem to have accepted that the market for lofty, disengaged aesthetes has been superseded in a world of smart buildings regarded by their owners not as large objects but as information systems. Architects have espied a niche for an expert in the building team who represents the building's final user – who has the added ability to orchestrate coherence and quality in the finished building.

Industrial designers in manufacturing face even more dramatic changes as the distance between the producers of products, and their users, shrinks.

Sophisticated distribution and logistics systems, computer integrated manufacturing and design technologies, new materials, and direct marketing, have changed fundamentally what it means to "design" a product.

The heroic industrial designer of legend, epitomised by Raymond Loewy, was trained with a basically linear model of manufacturing in mind: he (rarely she) inputted a "concept", and various engineers and marketing types produced and sold the product.

Today, multi-disciplinary, process re-engineered teams juggle multiple inputs from consumers, widely distributed production facilities, and intelligent distribution and retailing systems. Competitiveness is based on the effectiveness of the innovation process as a whole. The product designer – like the architect – can no longer deliver competitive products from the splendid isolation of the *atelier*.

When the technology is novel, involving users in design and simulation of new applications is even more valuable

The idea of collaborative innovation, and shared creativity, with users, designers and producers creating new products together, is the most exciting feature of what pundits are calling the New Economy – and potentially the most profitable.

At the moment, less than 5 per cent of the $60bn a year spent by its 580,000 researchers on R&D in Europe makes it to the market in the form of a product or service which someone can buy. (And less than 1 per cent of that $60bn is spent learning how to spend it.)

But economists have discovered that commercial performance is determined more by the *quality* of interaction between research scientist users – and this does not mean passive customers stuck behind one-way mirrors to "try things out".

Such one-sided relationships between a company and its clients – the user reacts, he or she does not propose – are being superseded by "envisioning laboratories" – environments in which users can play with new technologies before an application has been packaged as a finished product. Companies such as Xerox are designing research centres with multi-media capabilities in which customers, supported by advanced programming tools, can quickly model the consequence of re-configuring products and systems.

Mr John Seeley Brown, Xerox's research chief, explains: "It is not enough just to tell people about some new insights from the lab. You have to get them to experience it in a way which evokes its power and possibility. Put another way, we are trying to prototype a use before we prototype a system."

Pre-prototyping user needs has obvious benefits even in traditional "hard" product development, where design decisions tend to be irrevocable once tooling and production investments are specified. When the whole technological environment is novel – as it is with interactive computers and communications – the ability to involve users in the design and simulation of new applications is even more valuable.

Nicholas Negroponte, director of the Media Lab at the Massachusetts Institute of Technology (MIT) points out: "At the beginning of the century, people who invented new media were the users: photography was invented by photographers, cinema by film makers. This intimate coupling of the inventor and the creative user only disappeared with the invention of television and, later, computers. Its disappearance was needless."

Today, even the most gung-ho of the American telephone companies and media giants agree that unless more content, or "programming", is developed for their much-hyped *infobahnen* – highways of the mind – they will not go very far as a business. All that is on offer so far is video-on-demand and tele-shopping – decidedly banal electronic versions of existing human activities; hardly the stuff of which new civilisations are made.

So where are ideas for new needs to come from? However well envisioning labs engage with groups of users, someone has to provide an aesthetic stimulus – throw ideas into the ring – to provoke genuinely fresh thinking. This is where design can provide a cultural function as a bridge between industry and artists who are interested in technology but suspicious of big business.

Intellectuals and artists have been preoccupied by the implication of information technology for some time. For avant garde media artists in particular, the notion of the interface has replaced the finished artwork as the main object of enquiry, but few computer scientists (or even marketers) have the faintest idea how exciting (and even marketable) some of these ideas can be.

Design can be a useful mediator in breaking down the isolation from each other of artists, computer scientists and users, and in promoting the fruitful interaction between them which may just yield the new concepts and applications needed to fulfil the promise of the new technologies.

The need for such bridge-building between industry and artists is not new. It was the main mission of the Bauhaus 70 years ago. The original Bauhaus foundered on the rock of elitism and exclusivity: the news media – inclusive of users as well as designers – may mean that a design-based Electronic Bauhaus becomes Europe's secret weapon.

John Thackara is director of the Netherlands Design Institute in Amsterdam.

Alice Rawsthorn finds cautious confidence among design consultants in the aftermath of recession

Industry prepares to enter a new phase

There is a modest, though unmistakable air of optimism among Europe's design consultancies as the industry slowly but steadily emerges from recession.

Design – the business which expanded so rapidly in the 1980s, has had a gruelling time in the early 1990s. Some of the industry's best known names have disappeared in a maelstrom of takeovers, receiverships and redundancies. But the economic tide is now turning. The design business in most European countries is coming out of the doldrums and is poised for recovery.

"We've been through a hellish period," says Martin Beck, chairman of Fitch, the London-based retail design business which was forced to mount an emergency financial restructuring in 1992. "But the worst is over. Business is more buoyant and there is so much pent-up demand in the European *design market that the long* term prospects are excellent."

As the industry prepares to enter a new phase in its fortunes, the critical questions are whether the recession has wrought long term changes in its structure, and which type of consultancies will be best placed to benefit from the expansion of the European design market in the future.

Perhaps the most accurate illustration of the scale of the changes within the industry is the annual league table compiled by Design Week magazine in the UK (arguably Europe's most mature design market, but also the base for most of the consultancies operating on a European basis.) Design Week recorded a steady decline in the fee income of the 100 largest consultancies in 1990, 1991 and 1992 until 1993, when it registered a 2 per cent increase to £307m.

Yet last year's increase means that the 100 largest consultancies are still earning considerably less than in the peak year of 1989, when their com*bined fee income* totalled £429m.

Furthermore, the Design Week survey suggests that the bigger businesses have borne the brunt of the recession. The number of companies employing over 100 designers has fallen from 19 in 1991 to eight today. The fastest growing consultancies are those employing 25 to 49 people.

At first glance, the contraction of the big design groups appears to reverse one of the key themes of the industry during the 1980s – the transformation of strong, local design consultancies into European networks working in different countries across the continent.

In the past, international

Recession forced some companies to freeze European expansion plans; others closed their new offices and studios

design projects tended to be the province of high profile *individuals who had formed* close personal relationships with their clients. The new breed of retail, packaging and corporate identity consultancies were working on a larger scale. They mimicked the advertising industry by opening offices and studios to sell their services and implement projects across Europe. The leading US consultancies such as Landor, part of the Young & Rubicam marketing group, and Siegel & Gale, a Saatchi & Saatchi subsidiary, also expanded their European operations.

The rigours of the recession forced some companies to freeze their European expansion plans; others closed their new offices and studios. The multinational marketing services groups, such as Euro-RSCG of France and the UK's WPP, streamlined their design interests by merging some of their subsidiaries.

The industry now faces the dilemma of deciding how to service its international clients in the future. The market for multinational projects *remained reasonably buoyant* throughout the recession: indeed, some UK consultancies could not have survived otherwise. The market also has considerable long term growth potential as the activities of the design industry's clients become increasingly international.

"We have no choice but to be a European business," says Brian Boylan, deputy chairman of Woolf Olins, the London-based corporate identity consultancy. "It isn't simply a question of picking up new jobs outside the UK. Our UK clients are nearly all international companies and we can't do our work for them properly unless we operate in a European context."

Perhaps the most useful lesson of the recession was that the industry's finances are too fragile to support advertising agency-style networks of offices and studios. It is instructive that one of the few large London consultancies to have expanded steadily during the recession is Pentagram, *which has always stuck stub*bornly to its original concept of operating as a co-operative of individual designers. "It's no secret how we've done it," says John McConnell, a partner. "It's because we stuck to our guns and resisted the temptation to expand in the 1980s."

The new consultancies which have sprung up in the early 1990s have adopted a similarly prudent policy. One new area of design to have emerged in the recession is branding, or brand development, which has grown out of the packaging design business and spawned dynamic young consultancies such as Scott Libby Heming and Wickens Tutt Southgate, both of which are based in

'We don't have stereotypical clients, so we can't offer them standard solutions. We've got to be flexible'

London but are already executing European projects.

"We saw what happened to the design groups which expanded aggressively in the 1980s," says *Mark Wickens*, a founder of Wickens Tutt Southgate. "We're absolutely committed to expansion in Europe but we'll do it in a much more focused way."

Meanwhile, the established consultancies have pared down their operations and are now operating in Europe on *a more* flexible basis. "It's horses for courses," says Brian Boylan of Wolff Olins. "We've thought long and hard about how to handle international projects. The fact is, we don't have stereotypical clients, so we can't offer them standard solutions. We've got to be flexible."

Woolf Olins still has an office in Spain and has formed associations with local companies in Italy and Portugal. But it services its German and Scandinavian clients from its London headquarters. Similarly, Landor Europe operates across the continent from full-scale offices in London and Paris, with satellite operations in Madrid and Milan.

This flexible approach to European design projects may last longer than the industry expected. This is partly because of the changes in the industry's relationship with its clients. The financial pressures of recession, coupled with the changes within mass-marketing, have prompted many large multinational companies to reassess the way they work with external suppliers, including design consultancies.

Some companies have set up internal design departments to co-ordinate their design activities. These departments often handle the implementational side of projects, leaving external consultancies to concentrate on the conceptual and advisory side of design and thereby reducing the need for large local teams of people working on the ground with clients.

Similarly, advances in technology have reduced the cost and complexity of orchestrating cross-border projects from different countries. Fitch uses video conferencing and modems to link its US and European offices. Its employees also use the Internet to communicate among themselves and with their clients. Fitch is putting its own experience with new technology into practise by diversifying into new multi-media fields such as home shopping systems.

"Technology will play a central role in the future of the design industry," says Martin Beck. "In some respects the newer firms have an advantage over the older companies because they are starting fresh with technology at the core of their business."

John Ridding finds renewed competitiveness and flair in European car design

The family dog goes out of fashion

When Mr Patrick Le Quément, head of design at Renault, sought to persuade the company chairman to go ahead with the Twingo, he told him that he planned to develop a car which would "put the family dog out of fashion." One year after the launch of the quirky mini-car, 200,000 of man's best friends may be wondering whether to seek a new kennel.

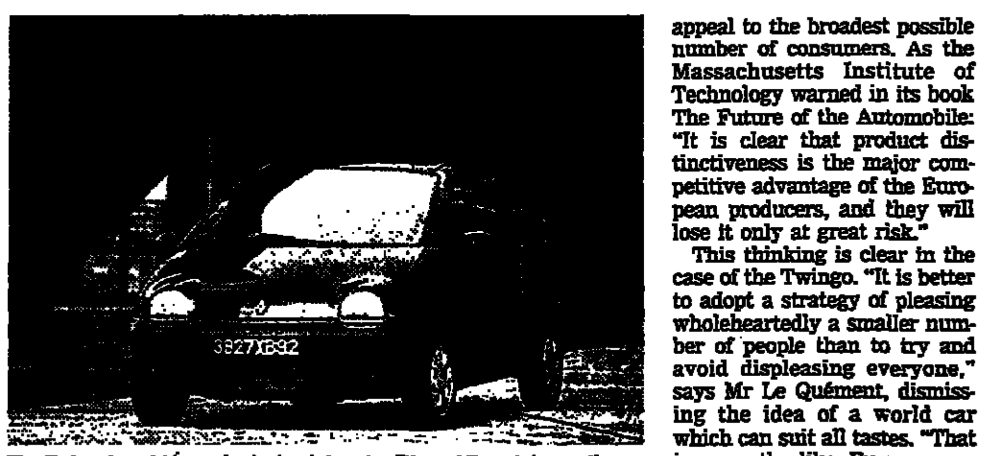
Europe's renewed competitiveness has resulted in some very attractive products

The commercial success of the Twingo is evidence of a renaissance of innovation, and a degree of risk-taking, at the French state-owned car group. But it also stands as a symbol of a renewed competitiveness of European car design after a period of assault by international rivals.

"There are some very attractive products at the moment," says Mr Le Quément, citing the Opel Corsa, the curvy small car which is devoid of straight lines. For Professor Dan Jones at the University of Cardiff business school, the Vauxhall Calibra is another triumph. "It got them away from the sales rep image," he says. "They have got an awful lot of mileage from the car." Mr Roy Axe, managing director of Design Research Associates, the independent consultancy group, commends Rover, with its emphasis on British characteristics, BMW, and Mercedes.

For many in the industry, the emergence of products such as the Twingo and the new Rover range marks a welcome response to the threat of international competitors – particularly from the Japanese constructors – and the end of a period of self doubt in European car design.

"Europe held the leadership in auto design until the 1980s, and then in the late 1980s the Japanese seized it by being more adventurous," says Professor Jones. Mr Le Quément concurs. "The Japanese took over and captivated the interest of the whole industry. The Europeans went through a patch of desperation and many felt they would never see better days," he says, referring to the succession of concept cars developed by the Japanese in the 1980s and their success in penetrating traditional strongholds of European design, such as the sports car segment.



The Twingo's quirkiness harks back to a tradition of French innovation

That, however, was then. "Today the situation has changed significantly," says the Renault design chief. "We feel that we have not been beaten by psychological warfare."

The reversal of fortunes is partly explained through the adoption of lessons learned from the Japanese themselves. In particular, European manufacturers have implemented team-based design techniques, resulting in increased efficiency and reduced costs through the combination of styling and engineering processes in the development of new models. The Europeans have still not caught up with their eastern rivals in this area, but the gap has narrowed, allowing broader ranges of vehicles and greater responsiveness to customer tastes.

The increased design competitiveness of many European manufacturers also reflects their adoption of a strategy of emphasising the distinctiveness of their particular products, rather than attempting to appeal to the broadest possible number of consumers. As the Massachusetts Institute of Technology warned in its book The Future of the Automobile: "It is clear that product distinctiveness is the major competitive advantage of the European producers, and they will lose it only at great risk."

This thinking is clear in the case of the Twingo. "It is better to adopt a strategy of pleasing wholeheartedly a smaller number of people than to try and avoid displeasing everyone," says Mr Le Quément, dismissing the idea of a world car which can suit all tastes. "That is a myth, like Euro-camembert or Euro beer," he says.

Part of this strategy involves an emphasis on nationalism in design. Rover's renewed success, for example, is partly the result of an emphasis on its Britishness, from the wooden dashboards to the regal grille on the front of its more recent cars. The quirkiness of the Twingo also harks back to a tradition of French innovation, from the Renault 16 – the first car to have a modular interior – to the Citroën DS, the shark-like saloon with swivelling headlights, hydraulic suspension and steering.

"We took the approach of re-establishing our design as a French manufacturer rather than a Euro manufacturer," says Mr Le Quément. "We believe the richness of the culture is what makes Europe and we reject the idea of trying to do the best average."

Not all constructors agree. Ford of the US, for example, is a strong advocate of the world car, designed to appeal to a mass international market and achieve huge economies of production. "If the Ford approach works then it is frightening," says Mr Le Quément.

Notwithstanding this challenge, however, the increased diversity of European design deprives international rivals of a unified target. "In the 1980s Europe was drawn towards a standardised product line, off which were developed different

'The Japanese reached a plateau – they need to find a focus again, and I am sure they will'

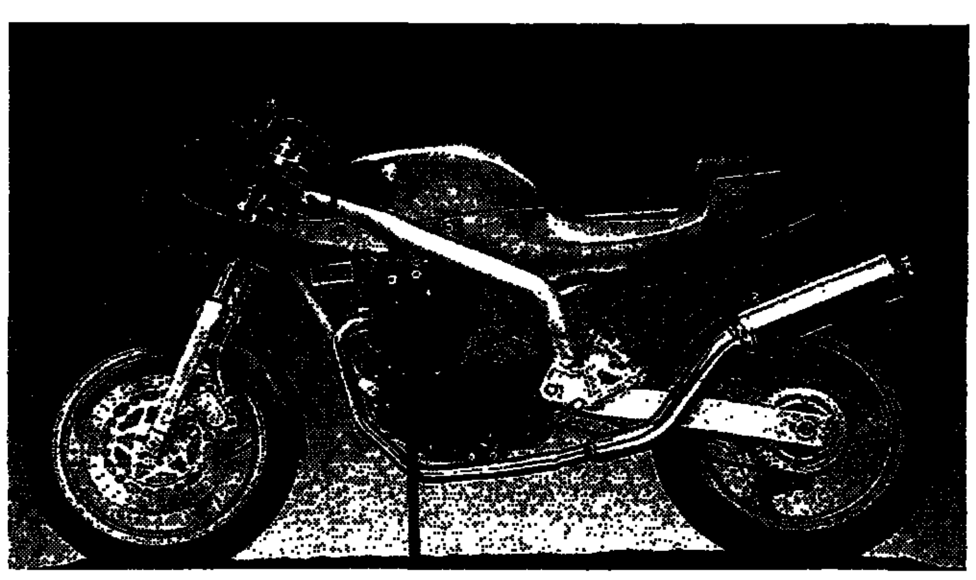
versions. The result was that cars became similar and boring and presented an easy opportunity for the Japanese", says Professor Jones. The Miata MX5 sports car, and the Toyota Lexus, aimed to compete with Mercedes and BMWs, came as a "profound shock" to the European producers, he says.

But if the Europeans have been strengthened by a more adventurous approach to design, the battle is not yet won. The Americans, and Chrysler in particular, are becoming increasingly competitive. "The Japanese reached a kind of a plateau," says Mr Axe of DRA. "They need to *find a focus again*, and I am sure they will."

After the designerism of the 1980s and deconstruction in the early 1990s, the focus of fashion has now shifted to more enduring classics, or 'objets de mémoire'. Miuccia Prada has breathed new life into Prada, the family firm founded by her grandfather, which is one of Italy's oldest luxury houses. *She has created a new school of contemporary classic fashion with thoroughly modern materials and simple shapes*

The brightest and best stand up to be counted

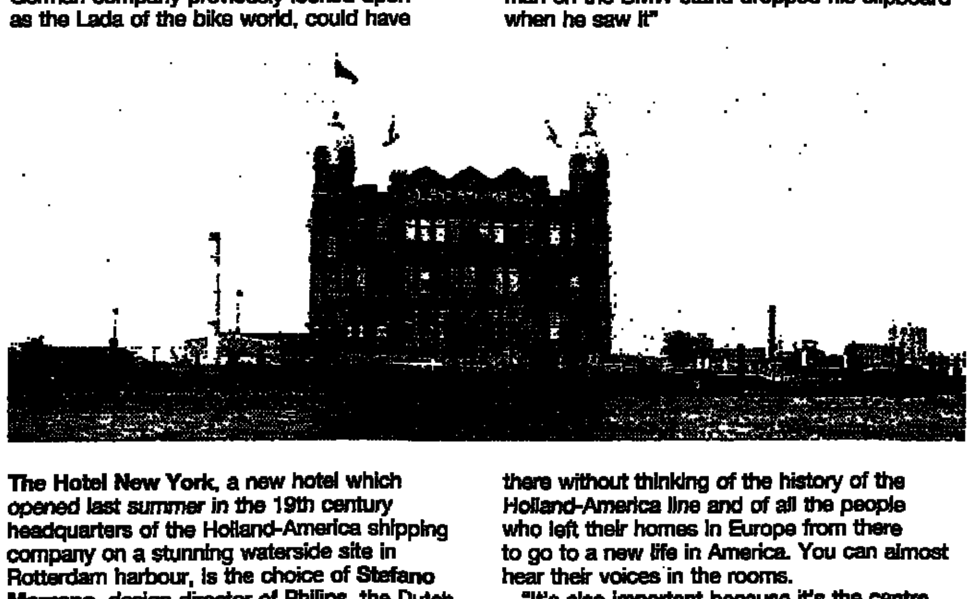
Alice Rawsthorn asks some influential designers to choose one item each from the galaxy of products



The prototype for the iconoclastic **MuZ Skorpion** motorbike, developed for MuZ of eastern Germany by Seymour Powell, the London-based product designers, was chosen by **Paul Smith**, the British fashion designer.

"I love the utilitarian feeling about the bike," he says. "It's amazing that MuZ, an eastern German company previously looked upon as the Lada of the bike world, could have come up with such a revolutionary design. It weighs less at 500cc than most Japanese 250cc bikes.

"It's glued together, not welded, and has 30 per cent fewer parts than equivalent Japanese bikes. It was the star of the last Bike show in Birmingham. Apparently the man on the BMW stand dropped his clipboard when he saw it"



The Hotel New York, a new hotel which opened last summer in the 19th century headquarters of the Holland-America shipping company on a stunning waterside site in Rotterdam harbour, is the choice of **Stefano Marzano**, design director of Philips, the Dutch electronics group.

"It's completely different from any other luxury hotel," he says. "It's impossible to go there without thinking of the history of the Holland-America line and of all the people who left their homes in Europe from there to go to a new life in America. You can almost hear their voices in the rooms.

"It's also important because it's the centre of the redevelopment of the Kop Van Zuid area, so it's a real link between Rotterdam's past and its future."

Despite all the warnings about maturing markets and sated consumers, each year thousands of new products are still launched. Some will last. Others will not. The FT asked some of the most influential figures in European design to choose one example of imaginative and intelligent design which is already – or is about to be – *available* in Europe.

Philippe Starck, the French architect and designer, plumps for Concept 1, the car **Volkswagen** of Germany is considering for a launch in the mid-1990s as a successor to the old Beetle. "It's something really extraordinary – warm and friendly," says Starck. "Design today isn't about making something that people gasp at and say 'Ah! How beautiful.' It's about creating a product which will please people and that they need, without using unnecessary materials. The new Volkswagen is intelligent and cute. It's like looking at a baby. A baby needn't be beautiful to make you smile."

"My vote goes to the **Caddie**, a shopping trolley designed by Raul Barbieri for Magis, the Italian manufacturer," says **Jasper Morrison**, the British product designer. "It's a genuine *reinterpretation* of an essential product which, until *now*, no one had thought of re-evaluating. It consists of a lightweight aluminium frame on which is hung an expanding woven nylon sack. It folds away to insignificance. It also offers an element of road safety – a reflector built on to the side of the wheel. Beautifully engineered, faultlessly practical."

The TGV, *or Train de Grande Vitesse*, the high speed French train, is the choice of **Gert Dumbar**, the Dutch graphic designer. "It's innovative, aesthetic, functional, comfortable, safe, silent and looks stunningly beautiful crossing the European landscape," he says. If the TGV was to adopt a frequent flyer system like the airlines, I'd never again take a plane to a TGV destination."

Giorgio Armani, the Italian fashion dsigner, opts for the lamps of **Giorgio Sabattini**, a young Italian designer making intricate lights in a contemporary vein. "I particularly like Giorgio Sabattini's work because it is both exotic and modern," says Armani. "His lamps can look both like objects from outer space or old Moroccan lights."

'It was terrific to realise that they'd been made by Spear & Jackson. They're a joy to use and they do look stylish'

"I admire Renault for having the guts to bring out a bold piece of design in the **Twingo**," says **Sir Terence Conran**, chairman of the Design Museum in London. "It's easy to drive and it's *affordable*. The Twingo is also an exciting, modern design that has captured the imagination of the mass market. The Renault Twingo is like other classic designs such as the Concorde, which seemed absolutely extraordinary when it was first launched, but is still remarkable years later."

Jil Sander, the German fashion designer, selects an established design classic: the **Serie 7** chair designed in 1969 by Arne Jacobsen, the Danish architect. "Jacobsen's work succeeds in creating a context not only between space and facade, but between *space* and design," she says. "A good example is the Serie 7 chair which has lost none of its modernity or clarity of style over the years."

The Italian designer and architect, **Ettore Sottsass**, also picks a classic: the **Leica M6**, a range finder camera introduced in 1984 by the eastern German camera-maker as a direct descendant of its first-ever, the Leica 1 which was brought out in 1914. Sottsass, a compulsive photographer, likes the camera because it is "small, well balanced and very well-made, although it's expensive." He also likes the Leica M6's *reflex* shutter. "I have other cameras that are easier to use, like my Olympus. But the reflex shutter makes such a *difference*. *It's* almost a sexual pleasure every time I push the button."

James Dyson, the British inventor and engineer, chooses the new **Spear & Jackson** anvil large garden shears. "When I first saw these shears I assumed they'd be very expensive products from Sweden or Switzerland," he says. "It was terrific to realise that they'd been made by Spear & Jackson in Sheffield. For *years the only large* shears on the market have been enlarged pairs of scissors that are foul to use, particularly when you're hacking away at really tough things. These new shears have a clever mechanism on the end which gives them an anvil action that is much more effective. They're a joy to use and they do look rather stylish."

"If I could choose any product it would have to be the **Thonet bentwood chair**, because it is a perfect combination of technical and aesthetic innovation," says **Michele de Lucchi**, design director of Olivetti, the Italian electronics group. "But the most interesting contemporary phenomena are not products but events." He cites Oz, the Dutch collective of ecology activists who stage events to raise awareness of environmental issues among other designers.

EC design prize can show company culture at its best

● There was a time when the only real attraction for architecture enthusiasts visiting the Basle region was Le Corbusier's Chapelle Notre-Dame-du-Haut at Ronchamp.

These days there is another: the extraordinary collection of contemporary architecture commissioned by Vitra, the Swiss office furniture company, at its production plant in Weil-am-Rhein across the German border, for which it has been awarded one of this year's EC Design Prizes.

The Weil site – which includes factories by Nicholas Grimshaw and Alvaro Siza, the museum designed by Frank Gehry, Tadao Ando's conference centre and the expressionistic flurry of Zaha Hadid's fire station – attracts 40,000 visitors a year, many of whom make a special trip to see it.

Vitra opened yet another landmark building last month when it moved into its new headquarters designed by Frank Gehry in a Basle suburb.

There is a commercial subtext to Vitra's architectural passion. The company, which was founded as a shopfitter in the 1930s, was the European manufacturer for Hermann Miller, the US furniture group, until 1984.

It has since made its own way in the office furniture field by working with freelance designers such as Mario Bellini, Philippe Starck and Jasper Morrison.

Vitra, the Swiss furniture company, commissions landmark buildings

The publicity generated by its buildings, together with the fact that many of the people trooping around the Weil site are architects who could eventually become customers, has undoubtedly helped Vitra to establish itself as an independent entity. Rolf Fehlbaum, the chairman, who initiated the construction programme after the old factory was damaged by fire in 1981, is convinced that Vitra's employees have also benefited – not only from working in a visually stimulating environment, but from liaising with different architects.

He sees the collaborative experience as a valuable complement to Vitra's "trial and error" approach to working with its own designers.

"A project like this isn't a folly or fantasy, it's part of the company's culture," he says. "It's a financially feasible project with practical benefits that also send a clear message to our customers."

The company's financial figures corroborate his analysis.

Since the break with Hermann Miller the company has quadrupled its turnover from SFr56m in 1984 to SFr210m last year. Its success in this year's European Union Design Prize is indicative of its status in the design sphere.

Vitra is now moving in a new direction, developing new office systems to take account of the technological changes which are transforming working patterns. It has also called a halt to its architectural schemes.

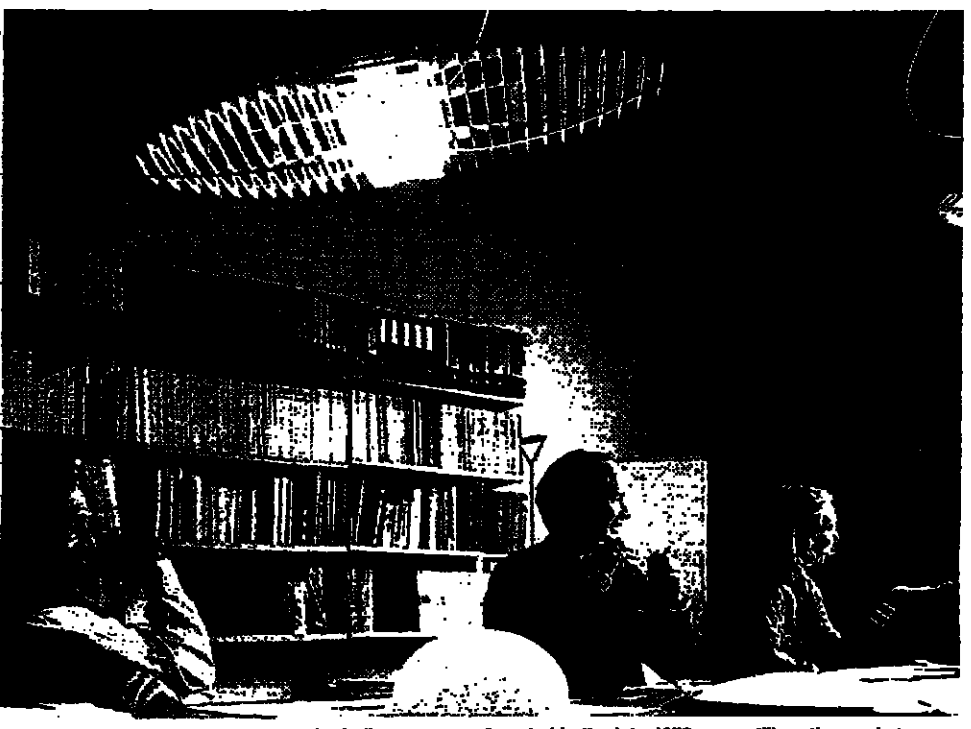
"We don't need any more buildings," says Rolf Fehlbaum. "Not now, at least."

Alice Rawsthorn

● Family has long loomed large in Italian industry, but it played a very special part in the creation of Luceplan during the late 1970s.

The three founders – Riccardo Sarfatti, Sandra Severi Cristalli and Paolo Rizzatto – met while studying architecture at university. They went on to work together at Arteluce, a lighting company owned by Sarfatti's father, until it was bought by Flos, the bastion of Italian lighting. They stayed there for a while before leaving to start on their own.

Luceplan is now Italy's third largest lighting company. Its annual turnover is almost L20bn (70 per cent of which is exported) and it has 55 employees at its Milan factory. Yet the three founders and Alberto Meda, the fourth partner, think their real achievement is that all the 20 lights they have produced since the 1970s are still on the market – proof of a commitment to design that has earned one of this year's EC Design Prizes.



All 20 lights produced by Luceplan, the Italian company founded in the late 1970s, are still on the market

It can seem clichéd when companies wax lyrical about design being an integral part of their business, but it happens to be true for Luceplan. Where other Italian lighting companies work with external designers – as Flos does, for example, with Achille Castiglioni, Philippe Starck and Marc Newson – the Luceplan partners stick to the Bauhaus model of designing all their own products alongside their factory production team.

"We don't believe it is possible to have a design studio in one place and a factory in another," says Paulo Rizzatto. "We are dealing with very complex products which require a high level of technical expertise. It is essential that the design and production process is homogeneous."

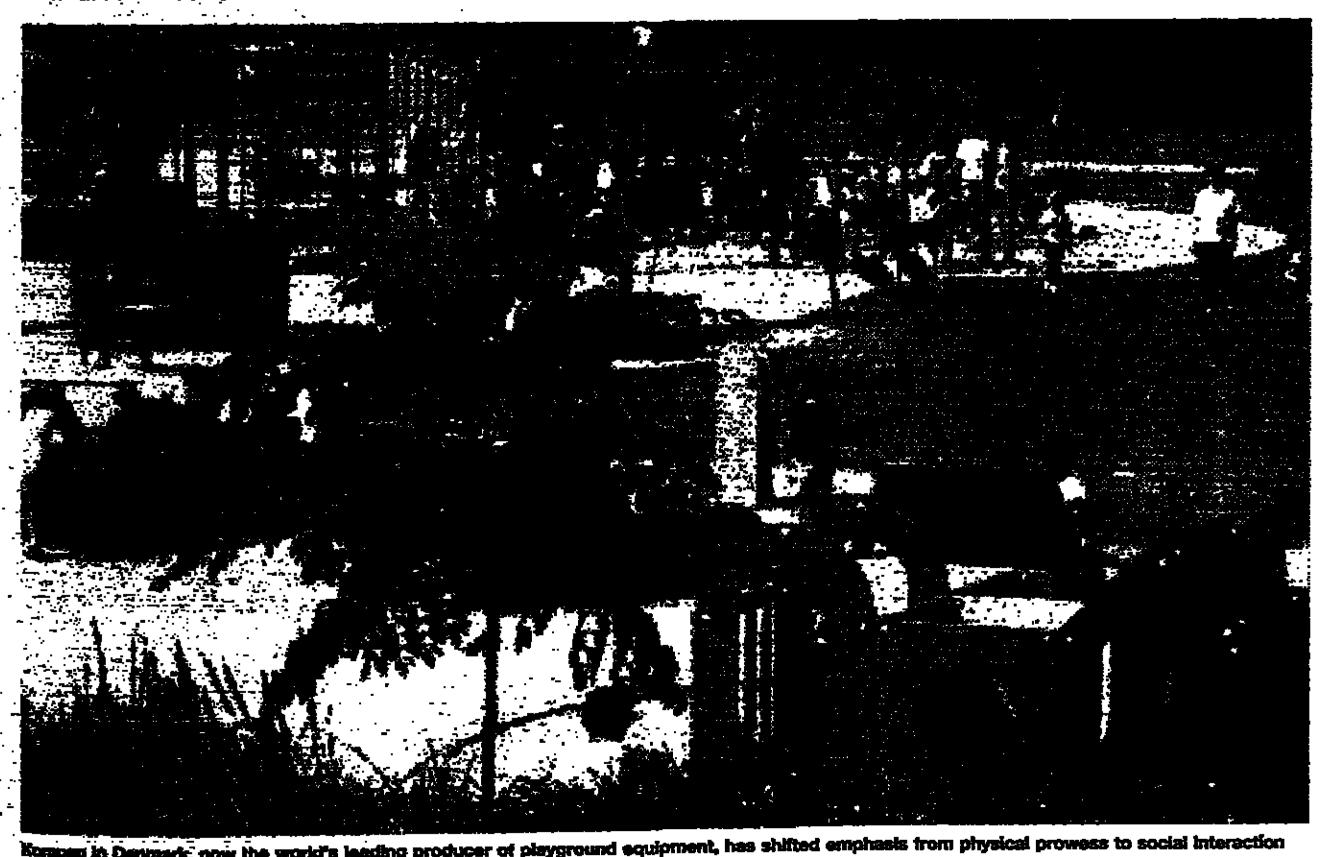
This commitment to homogeneity is best exemplified by Luceplan's headquarters: a complex of five early 20th century warehouses, specially converted to accommodate product development, manufacturing and distribution.

The partners also co-ordinate the design of all Luceplan's packaging and publicity material to ensure that it conveys the correct image.

Until recently the company concentrated on domestic lighting, but its latest venture marks a new departure into heavy duty lights for public spaces such as apartment blocks. The catalyst, Riccardo Sarfatti says, was the realisation that existing products in that market were not only of low quality, but also had failed to take advantage of the development of technically advanced light bulbs.

Luceplan's response was to devote 30 months – and a tenth of its turnover – to developing the Metrop. After a year on the market it has already sold 20,000 units and recouped the investment.

A.R.



Kompan in Denmark, now the world's leading producer of playground equipment, has shifted emphasis from physical prowess to social interaction

● Hans Mogens Frederiksen and Tom Lindhardt Wils were men with a mission when they founded Kompan in Denmark in 1970. Rejecting the concrete bleakness of the 1960s children's outdoor playground, they demanded colour, excitement and play value.

They were clearly on to something. Kompan is now the world's leading producer of playground equipment with an annual turnover of DKr500m, 90 per cent of which is exported through sales to 40 countries. Strong bright colours and bold clear shapes make its equipment instantly recognisable. And the accolades have come flooding in, culminating in one of the 1994 EC Design Prizes.

Flemming Aggergaard, managing director of Kompan International, emphasises that design has been "fundamental" to the company's success. He says the challenge is to link the aesthetic and fun with the stimulating and educational – while ensuring that "look" is never promoted above safety. Safety, play value and quality are the watchwords.

Kompan looks at the world with a child's eye. "We try to understand what happens when children play. We work to find products which further their intellectual and social needs," says Aggergaard. Child education experts have been involved in product development from the start. The emphasis is on primary colours and organic shapes. Much of the equipment is spring-loaded and as much as possible is made from wood.

But he is conscious of the competitive threats – manufacturing barriers to entry are low and the group's products are expensive. Hence the stress on "concept" as much as "product" and the attention given to the whole chain of activity from planning to after-sales service. The group even helps to arrange insurance – a big item in markets such as the US.

Kompan has done more than simply transform the look of playgrounds and shift emphasis from physical prowess to social interaction. Aggergaard notes approvingly the subtle shift in customers' attitudes from "what can we get for the kids" to "what would be good for the kids."

Kompan's important selling tools are its child development seminars. The aim, says Aggergaard, is to "explain to customers why we are doing things as we are."

Christopher Brown-Humes

Alice Rawsthorn reports on changes in design policy in several EU member states

'We shall act as the glue'

When the UK government last autumn announced a radical reform for the Design Council it marked the end of an era for British design policy.

It also heralded the beginning of a dynamic, new design initiative which, so the government hopes, will meet the needs of UK industry into the next century.

The UK is not the only European country to have implemented sweeping changes in design policy. The Dutch government last year launched a new Netherlands Design Institute. The French system is in a state of flux as the Agence pour la Promotion de la Création Industrielle (APCI) attempts to redefine its role following the withdrawal of the state's support. Even the European Commission is considering ways of modernising its design strategy.

Each country – or institution, in the EC's case – has tailored its approach according to its own needs, but it is possible to identify common strands in the new public sector design policies of the 1990s.

The old design promotion organisations were, typically for the post-war period, vertically-integrated bodies with large staffs and an interventionist style. The new breed tend to favour a more flexible approach by operating on a small scale as catalysts between the design community and other areas of the economy.

They also tend to be more tightly focused towards industry than their predecessors, which also often had the philanthropic aim of raising design awareness among the public.

"Our aim is to create an inspirational organisation," says John Sorrell, chairman of Newell & Sorrell, the corporate identity design consultancy, who has orchestrated the reform of the UK's Design Council as its chairman. "We're going to act as the glue between the UK's designers, its design infrastructure and industry."

The creation of the new Design Council has been a complex and painful process – although it is indicative of the depth of the government's commitment to the project that it allowed John Sorrell to map out a blueprint for a new body rather than simply abolishing the old one. The old Design Council, which employed 250 people with activities ranging from conference management to magazine publishing, is now being pared down to a new body with a staff of 50. Many of the old activities will be sub-contracted to external specialists.

Mr Sorrell, who is determined that the new Design Council will be "faster on its feet and more visible" than its predecessor, also plans to co-opt "guerrilla groups" of designers and industrialists for specific projects. He has started with a series of research initiatives – including an analysis of design's effectiveness in industry and an overview of the government's use of design – which will mark the launch later this year of the new Design Council on the 50th anniversary of the original body.

The new Netherlands Design Institute has also cast itself in a catalytic role. It was founded 18 months ago as part of an overhaul of Dutch arts strategy which also led to the foundation of similar organisations in parallel fields including photography.

John Thackara, the institute's director, sees the organisation as a "facilitator" to build bridges between the Dutch design community and other fields, notably industry and the arts. He and his team have already liaised with external consultants to identity centres of excellence in Dutch design, such as graphics and typography. They are now initiating projects, again in liaison with external specialists, to facilitate the future development of those areas particularly in the fields of new technology and multi-media.

While the UK and the Netherlands stride forward into the future, the French are still trying to find a new direction for design policy. Until recently the Association pour la Promotion de la Création Industrielle, a public sector body funded by the culture ministry, was the linchpin of design promotion in France. Its most notable recent project was last summer's controversial Design: Mirror of the Century exhibition of 20th century design at the Grand Palais in Paris.

However, the APCI's influence was steadily eroded in the late 1980s, as the then socialist government set up a series of regional design centres linked to local business bodies such as chambers of commerce. These new centres are more concerned with the business community than the APCI which, under the influence of the culture ministry, tended to concentrate on artistic initiatives aimed at the public, rather than industry.

The current conservative government withdrew its funding from the APCI earlier this year, which was then threatened with closure. The association has since managed to secure the support of the Paris Chamber of Commerce and is now assessing its future under its new, more commercially-minded patron.

Meanwhile the European Commission is revising its design policy to ensure that it plays a complementary role to the raft of national and regional bodies. Its design activities come under the aegis of Sprint – alias the Strategic Programme for Innovation and Technology Transfer – within DG13, the part of the commission which is responsible for innovation and telecommunications.

The focus of the EC's design activities has since the late 1980s been the European Community Design Prize, which is intended to encourage small and medium-sized companies to make the most of design as a competitive tool. The prize was introduced in 1988 and is awarded every two years. The latest prizes were awarded last Friday at a ceremony in Amsterdam to Kompan, the Danish children's playground equipment manufacturer, Luceplan, the Italian lighting company, and Vitra, the Swiss office furniture group which has its main manufacturing base in Germany.

The aim of the prize, according to Antonio Doronzo, head of Sprint's design projects, is to reward small and medium-sized companies for achieving "all-round excellence in design". The winners must demonstrate that they have reached the highest possible standards of design in their products, communications activities and the environment of their operations. These companies can then be used by the Sprint team as role models for others to follow.

Mr Doronzo is now looking at ways of expanding the European Commission's design activities. He envisages the prize continuing to be the focus of its design promotion effort for the foreseeable future, although he is interested in broadening its ambit possibly to include young companies that are using design as catalysts for growth.

"We have been considering lots of different roles for the commission in design promotion as we do think we could make more effort in this area," says Doronzo. "But design is a complex subject. We're well aware of that and are very anxious *not* to impose a single view across the European Union when design can mean very different things in different countries."

The European Community Design Prize, introduced in 1988 and awarded every two years, is intended to encourage small and medium-sized companies to make the most of design as a competitive tool. Profiles of the three latest winners, who received their awards last Friday, appear opposite

Business Travel Desk

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Bett Brothers 1.25p
BSN FFr23.25
DKB Asia Fltg/Fxd. Rate Gtd. Nts. Dec.2001 $2015.90
Denmark (Kingdom of) 3½% Int. Debt DKr3.50
El Du Pont 7½% Nts. 1999 $75.0
Helical Bar 3.3p
Hickson Int. 5.15p
Honeywell Inc. $0.24
Japan Dev. Bank 9½% Gtd. Nts. 1997 $475.0
Kobe Steel 4.7% Bd. 1998 Y470000.0
Kubota FRN 1997 Y69520.0
Lloyds Bank Prim. Cap. Und. FRN $186.42
Mitsui 4.3% Bd. 1997 Y430000.0
Do. 4.6% Bd. 1998 Y460000.0
Municipality Fin. 9½% Gtd. Nts. 1997 £92.50
NEC 7% Bd. 1998 Y700000.0
Nippon Sanso 7.2% Bd. 1998 Y720000.0
Nippon Seiko 7.2% Bd. 1998 Y720000.0
Osaka Gas 7% Nts. 1998 Y700000.0
Pearson 10½% Bd. 2008 £105.0
P & O Dfd. 6.5p
Royal Inbsce. 7¼% Cv. Sb. Bd. 2007 £181.25
Spirax-Sarco 3.3p
Toyota Motor 6⅞% Bd. 1997 $68.75

■ TOMORROW
Anglo American Inv. Tst. R2.85
BankAmerica $0.40
Conversion 9½% 2002 £4.75
Chase Manhattan Fltg. Rate Sb. Nts. 2009 $134.17
Commerzbank O'seas Fin. Gtd. FRN 1998 $2748.96
Hongkong & Shanghai Banking Prim. Cap. Und. FRN (Ser.2) $63.89
Ladbroke 5⅛% Sb. Cv. Bd. 2004 £51.25
Limited $0.09
Manpower $0.05
New Central Witwatersrand R0.74
Quarto Grp. 4p
Ragby Gtd. FRN Dec.1997 $13812.78
Temple Court Mortgages (No.2) Class A2 Multi-Class Mtg. Bckd. FRN 2031 £144.62
Tenneco $0.40
Tokyo Electric Power 10½% Nts. 2001 C$105.0
Wankie Colliery Z$0.125

■ WEDNESDAY JUNE 15
AECI 5.5% Gross Cm. Pf. R0.055
Abbey National Treas. Services 9⅝% Gtd. Bd. 2004 L41440.97
Abtrust Atlas Contl. Europe Portfolio DM0.038
Do. Europriva Portfolio 0.13p
Do. UK Growth of Inc. Portfolio 1.2p
Do. UK Portfolio 1.6p
Am. Barrick $0.05
Albert Fisher 5⅞% Gtd. Rd. Cv. Pf. 2004 2.9375p
Atlantic Richfield $1.375
Avonmore Foods A IR2p
Blenheim 6.4% Cv. Pf. 3.2p
Bradford & Bingley Bldg. Scty. FRN 1995 £133.90
British Airways 10⅞% Bd. 2008 £108.75
Brunswick $0.11
Caisse Nationale des Autoroutes 16% Gtd. Ln. 2006 £400.0
CarnaudMetalbox FFr4.0
CSX $0.44
Cussins Property 2p
Dana $0.42
Dover Corp. $0.23
Fairey 8p
Investors Capital Tst. 5¼% Cm. Pf. £1.8375
Kinki Nippon Railway 3.5% Bd. 1998 Y84681.0
Do. 3.6% Bd. 1999 Y91000.0
Louisiana Land & Expln. $0.25
MY Hldgs. 0.5p
Martin Currie Pacific Tst. 0.33p
Midland Bank Non-Cm. Dollar Pf. Ser.A1 $0.355
Do. Ser.A2 $0.08875
Do. Und. Fltg. Rate Prim. Cap. Nts. (Ser.3) $182.0
Pacer Systems $0.035
Pandick Press 7% Cv. Sb. Bd. 1998 $35.0
Proudfoot 1.5p
Richards Grp. 1.25p
Royal Bank of Canada Fltg. Rate Db. 2085 $103.82
Royal Bank of Scotland Und. Fltg. Rate Prim. Cap. Nts. $186.42
St. Lawrence & Ottowa Railway 4% Stlg. 1st Mtg. Bd. £1.0
Sapporo Breweries FRN 1999 Y11312.0
Sothebys Class A Lim/Vtg. $0.06
Svensk Exportkredit 12% Nts. 1994 £120.0
TRW $0.47
Tenneco 10¾% Gtd. Ext. Nts. 1990/95 $107.50
Thomson Corp. $0.113
Time Warner $0.09
Toyo Const. Gtd. FRN 1998 $19084.72
Trinova $0.17
Wagon Indl. Cv. Ptg. Pf. 3.625p
Whirlpool $0.305

■ THURSDAY JUNE 16
Elys (Wimbledon) 15.5p
Flogas Units IR5.5p
Leeds Permanent Bldg. Scty. FRN 1998 £133.90
Lloyds Bank Ser.C Var. Rate Sb. Nts. 1998 £142.10
Lyles (S) 1p
Pennzoil $0.75
Pfizer $0.47
Rossmont0.2p
Santander Fin. Issuances Sb. Und. Var. Rate Nts. $2954.86
Scotland Int. Fin. 14¼% Gtd. Fxd/Fltg. Rate Nts. 1998 $26.54
Shiloh 2.5p
Southeast Banking Fltg. Rate Sb. Nts. 1996 $265.42
Sumitomo Chemical FRN 1997 Y64208.0
VTR 1.45p

■ FRIDAY JUNE 17
Abbott Mead Vickers 7.3p
American Int. Grp. $0.10
Anglo Americamn Gold R7.25
Aspen Comms. 2.9p
David Brown 4.3p
Chepstow Racecourse 10p
Christiania Bank 8% Sb. Nts. 1996 $800.0
Citicorp $0.15
East Rand Gold & Uranium R0.56
Free State Cons. Gold R2.0
Holt (Joseph) 37p
Lowland Inv. 3.3p
P & O 4¾% Cv. Bd. 2002 £47.50
River & Mercantile Geared Cap. & Inc. Tst. 1999 3.325p
Senior Eng. 9⅜% Un. Ln. 1994/99 £4.6875
Shorco Grp. 2.8p
Toto 5.7% Bd. 1997 Y570000.0
Weir Grp. 4.575p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Trinity Hldgs., Allesley Hotel, Birmingham Road, Allesley, Coventry, 11.00
Warner Howard, The Brewery, Chiswell Street, E.C., 12.00
Wensum, 10 Newhall Street, Birmingham, 11.30
BOARD MEETINGS:
Finals:
Banner Homes
Cropper (James)
Cullen's
Jarvis
Oriflame
Salvesen (C)
UMECO
Interims:
Prospect Inds.
Unidare

■ TOMORROW
COMPANY MEETINGS:
Bank of Scotland, The Mound, Edinburgh, 12.00
Campari Intl., 26 Finsbury Square, E.C., 3.00
Cussins Property, The Northern Counties Club, Hood Street, Newcastle-upon-Tyne, 11.45
F & C German Inv. Tst., Exchange House, Primrose Street, E.C., 12.15
Holt (Joseph), The Roebuck Hotel, 2 Church Road, Flixton, Manchester, 12.00
Lamont Hldgs., The Savoy Hotel, The Strand, W.C., 12.00
Martin Currie Pacific Tst., Saltire Court, 20 Castle Terrace, Edinburgh, 12.30
Radiotrust, 99 Charterhouse Street, E.C., 12.30
Try Grp., Cowley Business Park, High Street, Cowley, Uxbridge, Middlesex, 12.00
BOARD MEETINGS:
Finals:
ACT Grp.
Amberley
Applied Holographics
BSS
Bradford Property Tst.
Charter
East Surrey Hldgs.
F & C Smaller Co's
Grand Central Inv.
Marshalls
Oceana Cons
Severn Trent
Symonds Eng.
Thames Water
Unigate
Volex
Wellman
Whitecroft
Wrexham & East Denb. Water
Interims:
Berisford
David Lloyd Leisure
Neotronics Tech.
River Plate & Gen. Inv. Tst.

■ WEDNESDAY JUNE 15
COMPANY MEETINGS:
Body Shop Intl., The Conference Centre, Wick, Littlehampton, West Sussex, 11.00
Cl Grp., The Novotel, Union Street, Wolverhampton, 10.30
Dencora, Waveney House Hotel, Puddingmoor, Beccles, Suffolk, 12.00
Hay (Norman), The Armoury, First Floor, Council House, Earl Street, Coventry, 11.00
Herring Baker Harris, Saddlers House, Gutter Lane, Cheapside, E.C., 12.00
Ross Grp., Ross House, 1 Mills Way, Boscombe Down Business Park, Amesbury, Wilts., 10.00
Shiloh, Park Mill, Sleaddale Street, Royton, 11.00
Walker (J.O), Humberstone Road, Leicester, 12.30
BOARD MEETINGS:
Finals:
British Thornton
Drayton Recovery Tst.
Heath (CE)
Hicking Pentecost
London Electricity
Mansfield Brewery
Mountview Estates
Robert Wiseman Dairies
Stirling Grp.
Ugland Int.
Interims:
Allders
Burndene Invs.
London Scottish Bank
Southern Business

■ THURSDAY JUNE 16
COMPANY MEETINGS:
Barry Birch & Noble, Griffin House, West Street, Woking, Surrey, 11.00
British American Film Hldgs., 214 The Chambers, Chelsea Harbour, S.W., 12.15
City of Oxford Inv. Tst., 41 Tower Hill, E.C., 12.00
Elswick, The Grand Hotel, Colmore Row, Birmingham, 11.30
Hi-Tec Sports, Aviation Way, Southend-on-Sea, Essex, 10.00
Plasmec, Frensham Pond Hotel, Churt, Farnham, Surrey, 12.00
River & Mercantile Geared Cap. & Income, Tst. 1999, New Connaught Rooms, Great Queen Street, W.C., 11.00
Slingsby (H.C.), Victoria Hotel, Bridge Street, Bradford, 10.30
Toye & Co., New Connaught Rooms, Great Queen Street, W.C., 11.00
BOARD MEETINGS:
Finals:
AAH
Brockhampton
Chester Water
Chloride
Embassy Property
Hardy Oil & Gas
Locker (T)
London Merchant Sec.
Moorgate Smaller Co's Inc. Tst.
Penna
Porter Chadburn
Portsmouth Water
Proteen
Regalian
Safeland
Smith New Court
South Wales Electricity
Tinsley Robor
Interims:
Alvis
Bradstock
Denmans Electrical
Osprey Comms.
RCO Support Services

■ FRIDAY JUNE 17
COMPANY MEETINGS:
Dewhirst Grp., Merchant Taylors' Hall, Aldwark, York, 12.00
Huntleigh Technology, The Institute of Directors, Waterloo Room, 116 Pall Mall, S.W., 10.30
Siam Selective Growth Tst., The Cazenove Conference Suite, 4 Kings Arms Yard, E.C., 10.30
BOARD MEETINGS:
Finals:
Cambridge Water
Cheam
Dares Estates
Davenport Knitwear
Feupel Trading
Latham (J)
Portsmouth & Sunderland Newspapers
Vtech
Wainhomes
Interims:
Grainger Tst.
Greenwich Comms.
Henderson Strata Invs.
Johnson & Firth Brown

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

JUNE 16
CONSUMER CREDIT AGREEMENTS
An important opportunity for all those involved in consumer credit agreements to update their knowledge of the application of the 1974 Act. Recent developments and proposals for reform will be covered and their practical implications considered.
Contact: Steve Warner
European Study Conferences Limited
Tel: 071 386 9322 Fax: 071 381 8914
LONDON

JUNE 16
PROSPECTS FOR LOCAL MARKETS AFTER THE RECESSION
Aims to highlight strategic influences affecting local markets and economies, helping to develop new ideas and more effective local marketing strategies for the future. Cost £50 + VAT.
Contact: Jacqui Gotts
Tel: 071 353 9961
LONDON

JUNE 21
GATEWAY TO JAPAN CAMPAIGN SEMINAR
The Birmingham Chamber of Commerce & Industry presents a seminar on Japan which includes campaign information, market briefings, workshops (half or whole day). The workshops cover material handling, medical equipment and furniture sectors.
Contact: David Frost
Tel: 021-454 6171 ext 2262
Fax: 021 455 8670
LONDON

JUNE 21
INDIA - NEW BUSINESS OPPORTUNITIES
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PROPERTY VALUATION AND ACCOUNTING
Different values of a property; methods of valuing different types of property; current property accounting issues; sale and leaseback; investment analysts view; lending banker's view; property companies - special issues; Rics Valuation Working Party Report (The Mallinson Report) CPD 4 hours. CPE 7.5 points.
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MANAGEMENT

Boardroom imports down under

Nikki Tait on a wave of American executive appointments in Australia

Australia has often been called the 51st state – a lighthearted reference to the proliferation of Hollywood films, fast-food restaurants and baseball caps. But now, at a rather more fundamental level, is American management culture infiltrating Australian boardrooms?

The thought has been prompted by a spate of top executive appointments at some of Australia's biggest companies. Last month, for example, the Australian Mutual Provident, the nation's largest life insurer and a pillar of its institutional investment community, named George Trumbull as its new chief executive. Trumbull comes to the AMP from Cigna, the giant Philadelphia-based insurer, where he was president of the individual financial services division and former investment chief.

Last year Bob Joss, a former Wells Fargo executive, was appointed to head Westpac, the oldest of Australia's "big four" commercial banks. In 1992, Telecom, the large state-owned telecommunications company, recruited Frank Blount from AT&T, the US telecoms group, as chief executive.

This importation has seeped down to lower management levels, too. Last month, for example, Coles Myer, one of Australia's biggest retailers, appointed Dennis Eck to run its supermarkets division. Eck is a former executive vice-president of American Stores and, more recently, worked for California-based Vons Supermarkets.

But despite these eye-catching moves, executive search firms and management consultants remain divided about how pervasive the importation of US talent actually is. Geoff Morgan, at Morgan & Banks, the executive recruitment specialist, describes the development as "a definite trend", pointing out that the Trumbull/Joss/Blount appointments were all the results of full-blown searches conducted outside Australia.

He thinks the pattern stems partly from a desire for the general management skills and objectivity which US executives can offer, and partly from the need for sector-specific experience. The latter element, he predicts, will mean that the influx continues, especially in service industries where "Australian companies don't have a great reputation", and in high-tech fields.

This view seems well supported by Coles: it lists four specific skills where it reckoned Eck had an edge, ranging from inventory management to technological expertise, especially in supplier relationships. The Australian retailer notes, too, that it has a major refurbishment programme getting under way, and that Eck has handled more than 1,000 store overhauls.

But David Benn, managing director of consultants Korn/Ferry in Sydney – whose strong American accent belies 20 years in Australia – reckons that the development "is not nearly as pervasive as the headline-grabbing stuff suggests".

For the most part, he suggests, US executives are being used as trouble-shooters. "I don't think anyone has had the brief: 'Go find an American'. It [such appointments] tends to happen in situations where there is a well-defined problem, and all other bets are off," he says.

Telecom, he points out, was (and is) facing the loss of its protected monopoly position. Westpac, having called itself Australia's world bank, had strayed badly at home and shareholder disgruntlement was swelling. Australia's insurance sector faces major issues like the merits of demutualisation and increased competition.

But at least some board directors, who have the formal say over such appointments, seem to have been wooed by the promise of broad management objectivity. One AMP director notes that the insurer did first consider an internal promotion, but eventually shortlisted two candidates from outside Australia. "We decided it was better to select someone who was unencumbered by AMP baggage", he says.

So if these are the expectations, are they realistic? Where US executives have already been installed, there are some clear signs that international perspective has quickly come into play.

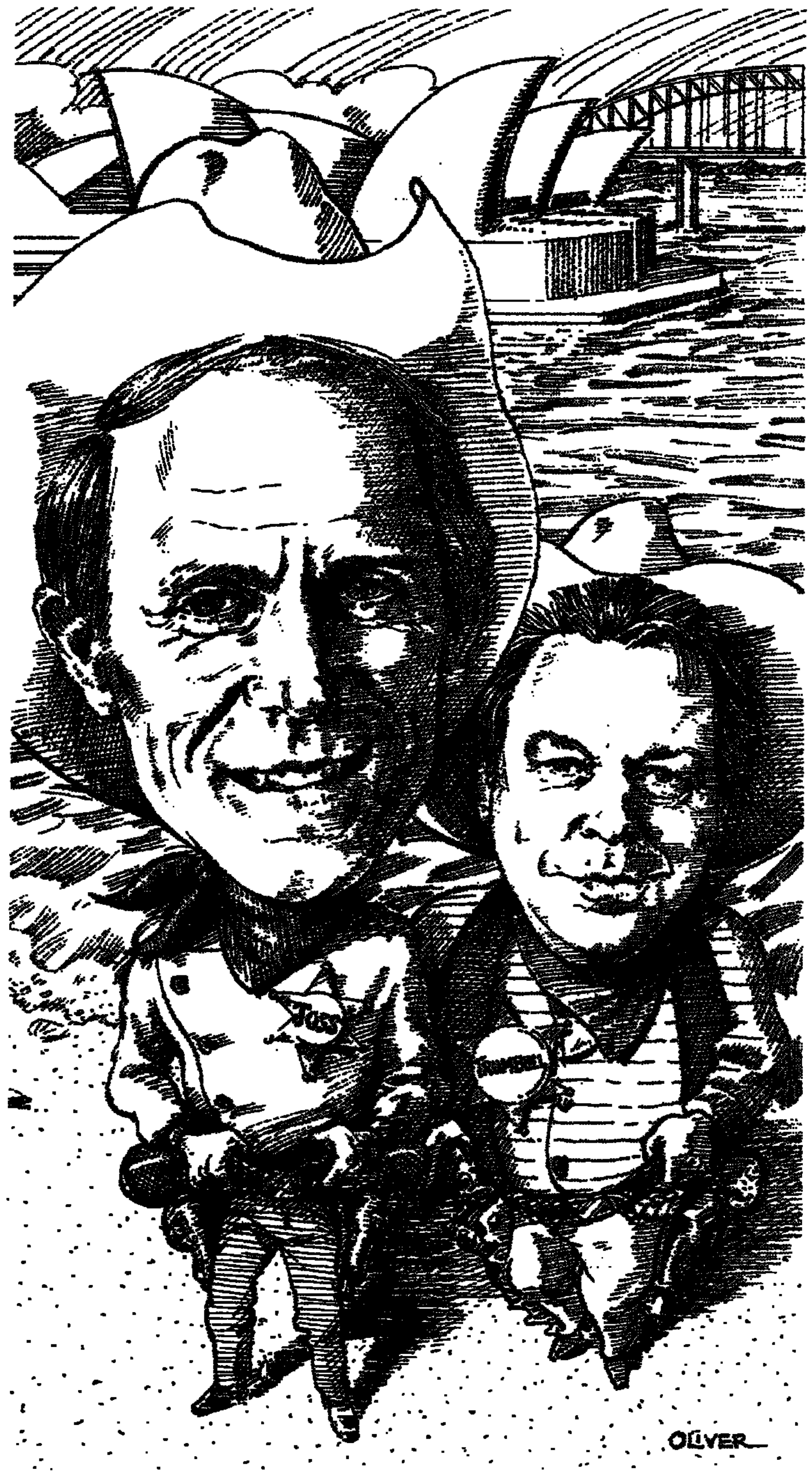
Most of the recent US appointments, for example, have put a major emphasis on raising service levels. Joss wants the bank to take McDonald's as its management model, and emulate the US hamburger chain's route to consistent quality. Reaching such a target, he has acknowledged, implies a strong training focus. He has also stressed the need for a more targeted rewarding of performance.

Meanwhile, Telecom, which remains state-owned and therefore hugely political, says that greater use is now being made of techniques like international "benchmarking", especially in finance.

But there also are some signs that cultural differences – notably, Australia's strong egalitarian beliefs – may not make for the easiest transition of ideas. Already, executive remuneration is in the spotlight, and the packages offered to the new breed of executives – whether home-grown, like Tony Berg at Boral, or imported, like Joss – have been much-debated.

On the plus side, institutional shareholders, anxious to lift their profile in the wake of the 1980s "entrepreneurial" excesses, say they are supportive, provided the structure of an option package is "appropriate". The Australian Investment Managers Group is currently drawing up guidelines on the subject and on corporate governance matters generally.

The throwaway remark of one mining industry manager, asked about a recent non-Australian appointment in his own company, seems to summarise the attitudes which the stepped-up executive culture has yet to alter. "We haven't caught the Bob Joss syndrome if that's what you mean," he comments. "My family has been shareholders of Westpac for years and all I can say is he'd better be worth it."



Shortage of top talent willing to move

A recent international survey* conducted by two Harvard University professors found that fewer than half the corporate participants were training their executives for international assignments, even though 94 per cent said such expertise would be of vital importance to the company in the future. Instead, they relied heavily on recruitment from outside for vacancies abroad.

That and similar trends revealed in the research mean the "global executive" should be able to name his price. The survey for Amrop Partners, the international executive recruitment firm, was based on interviews with 1,000 senior executives in 30 countries, including Australia, and conducted by Robin Ely at John F. Kennedy School of Government and Janice McCormick at Harvard Business School.

It found that in general there is an acute shortage of internationally-mobile managers, and that the problem is most severe for multinationals attempting to operate in fast-developing regions such as south-east Asia or eastern Europe.

Only 35 per cent of respondents said their companies offered access to international management courses, while fewer than half provided opportunities to develop language skills. Half those surveyed said fear of losing touch with the company's central activities made them reluctant to go abroad.

Financial considerations seem to be the strongest motivator for people to work abroad. The three top "strategic inducements" were relocation assistance, a comparable benefits package and an attractive expatriate financial package.

Australia was the only area in which the success rate in attracting international executives outstripped the perceived need by a very wide margin (over 20 percentage points) – perhaps because of the sandy beaches and sunny climate.

**The New International Executive, Amrop International/Harvard University.* (footnote marker *)

DESERT ISLAND MANAGER

Yves Newbold

Yves Newbold is looking forward to her stay on a desert island. A whirlwind of efficiency in her job as company secretary at Hanson, the Anglo-US conglomerate, she would quickly have the island organised to her liking. Her only worry is that she would settle in so well that she would find herself composing a resignation letter to her boss, Lord Hanson, on some of the electronic equipment she plans to take with her.

What would you need to carry on your business apart from a fax and a phone?
"A videophone. I could call up my kids and the bank manager, or see what the traffic was like in downtown Naples. I like to be able to see people's expressions."

How would you keep your sanity?
"I would keep fit. I'd do water aerobics and wear those repulsive great big arm bands and plastic dumb-bells and swing them through the water. I'd also jog in the evening after the sun goes down."

How would you busy yourself?
"I'm assuming my brain will soften a bit. So I would do computer games. It would be better than taking back editions of the Times crosswords, which would seem totally meaningless on a desert island."

Who would accompany you?
"I have no doubt about that: I'd take my mother. She's Irish, very funny, a great mimic, and she's my best friend. She is a most superb conversationalist, we never run out of things to say. She'd be much better than taking a partner. Imagine the frigid silences you'd have over who finished the sun cream."

What would you take for food and drink?
"I could not live without my plug-in filter coffee maker. Alternatively I'd take Diet Coke. To eat I'd have something completely wicked and forbidden like bacon sandwiches. I could easily eat those every day."

Which book would you take?
"I'd have to look after my spiritual side, so it would be *The Prophet* by Kahlil Gibran. It's a philosophical tract: a bit Zen, although Gibran is an Arab."

And which film?
"I'm very, very fond of horses, and as I couldn't have horses on the desert island, I'd take instead *National Velvet* with Elizabeth Taylor. I could watch it again and again, and sob every time."

How well would you adapt?
"Quite well, I think. If I were allowed a pen knife I'd make myself a house. If birds can do it with their beaks, I could certainly do it with my two hands. I'd like the chance to develop a sense of perspective away from the mad daily rush of London life."

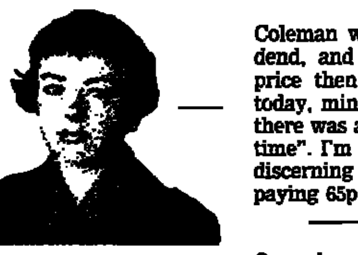
What would you most dislike?
"I hate blistering sun, so I'd need to take my factor 25."

What message would you send back?
"It would be to my children saying – I know this sounds mawkish and sentimental – remember I love you and I hope you are behaving yourself."

Lucy Kellaway

Quitting to pursue other euphemisms

LUCY KELLAWAY



Let me take this chance to wish John Precious, the outgoing finance director at Wellcome, every success in pursuing his other opportunities. I am, however, curious to know what they are. They must be pretty special to have persuaded him to quit a prestigious job with a salary of £200,000 or more.

I would like to know, and I think shareholders have a right to know, a little more about why he is leaving. When a director quits his post suddenly it is not good enough for a company to offer a limp cliché by way of explanation. I'm sure there is nothing untoward about Precious's departure – especially as he has kindly agreed to stay put until a replacement can be found – it is just a shame that Wellcome chose to explain his departure in woolly terms guaranteed to raise the suspicions of sceptics.

"Pursuing other opportunities" or "interests" can mean that the guy was no good and has been fired: that he disagrees with the company's policy; that he cannot get on with his colleagues; that he has had a better job offer; or that he has had a mid-life crisis and wants to generate his own electricity on a farm.

The phrase is just one in a collection wheeled out for senior resignations and sackings. Some directors who depart in a hurry cite a desire to "spend more time with the family", while others refer to "clash of management styles". This last one is less opaque, as it usually means there has been a mighty row.

The reluctance to explain is regrettable. It is also understandable. Celsis, a biotechnology company, recently fired its chief executive claiming that his performance had been wanting. Now the company is being sued both for unfair dismissal and defamation.

It is a pity that the law encourages companies to mince their words. Directors are paid a great deal of money, and if they do not deliver the goods they deserve to be sacked, and shareholders deserve to be told about it. If truth were the norm, there would be no niggling suspicions when a director genuinely found that the pull of those other interests was irresistible.

I was intrigued to read that the president of the Board of Trade is considering an investigation into the affairs of Impregnators Ltd. It seems there was an ugly scene at the company's agm, with shareholders making allegations and directors stonewalling.

What surprised me about this snippet was that it appeared in the June 7 1944 edition of the Financial Times reprinted last week. According to the rest of the media's D-Day extravaganza the world has changed beyond recognition in 50 years, but the old copy of the FT proves that, in business, matters are much the same. In addition to the thoroughly modern tale of corporate corruption, the news of 1944 included familiar sounding payoffs to directors losing their jobs.

The stories may be the same, but the way we tell them is not. In those days there was no need to present events as exciting, nor to explain them. Neither was there a market for clever comment. Autolycus, the Lex of the time, spent D-Day explaining that J. and J. Coleman was shortly to go ex-dividend, and forecast that the share price then would be the same as today, minus the dividend – unless there was any "change in the meantime". I'm not sure if today's ultra-discerning readers would feel happy paying 65p for that insight.

Over breakfast the other day I found myself having a row with my husband over the unlikely issue of absenteeism. The discussion was amiable enough until he declared that women were off sick more than men.

To prove him wrong, I phoned the people who research this sort of thing, like the Confederation of British Industry and the Institute of Personnel Management, to find they had no relevant figures. That didn't stop them speculating: some said it was the men, others that it was the women who were the skivers.

Finally, I tracked down an unpublished study at the Equal Opportunities Commission showing that women are off sick 5 per cent of the time, while men are only off 4 per cent. I would have let the matter drop quietly had it not been for the explanation. The difference is entirely due to women staying at home to look after sick children. "Just what I thought," said my husband, when I triumphantly presented the evidence. I wonder how many men take time off having been assaulted by their wives?

Still on the subject of the sexes, the Equal Opportunities Unit in Brussels takes a novel approach to the differences between them. Prospective employees must complete a form that asks them their sex, giving them the option of m or f. The corresponding footnote explains: "Indicate your choice".

This is the last week for nominations for the FT Mean Boss Award. The winners will be announced on June 20.

READING MATTER

Dirty laundry

Sticking a real US dollar bill on the front cover of a book is almost guaranteed to get an author noticed; unfortunately it is equally likely to mean the book itself is so bad it *needs* that kind of hype to get anyone interested.

The Laundrymen purports to tell the inside story of "the world's third largest business"; hyping bad books certainly looks like becoming the world's second largest business. It does nothing of the sort. The $1 on the front cover is said to have a high statistical chance of containing traces of cocaine; on that basis you would need about 500 copies of this book to be able to conclude "gee, that was a wow of a read".

Sure, laundering money is a hugely-troubling phenomenon, destructive of lives, economies, nations. And an authoritative book on the subject would be a major event.

So what is the problem with this one? Leaving aside some of the more egregious factual errors – I would relish the chance of flying in a "Leerjet" (page 61), for example – its central flaw is, ironically, in keeping with the subject matter.

For Jeffrey Robinson – or his publisher – encourages readers to think they are getting something new, insightful and challenging. Whereas what is actually on offer is a rather shoddily-written cuttings' job. Robinson knows his way round the world's databases; he has sifted them all, it feels, in the effort to track down established, already written-up, cases of clearly proved money-laundering. For anyone interested in the subject, there is nothing here which has not already been thoroughly cooked up elsewhere.

Robinson holds up for display – not contempt, exactly – a global rogue's gallery of convicted criminals. But throughout I found myself asking: where are the footnotes? That is not pedantry; in a book of this sort, we need to be convinced that all the stuff which does not come from cuttings is credible. Of course, Robinson can – and does – fall back on the defence of confidentiality, though I did not have confidence in his deserving my trust. One example from many possibilities, Robinson writes that "apparently he's (Fidel Castro) also approached the Chinese and the North Koreans, proposing to help them develop their nuclear capacity in exchange for oil." That *apparently* speaks worrying volumes.

Most peculiarly of all, Robinson's style and tone clearly indicates that he is half in love with the fast car, rich lifestyle, globe-trotting image of the unsavoury characters he writes about. Imagine *Hello* magazine doing a photo-spread on a Colombian drug baron; if that's your idea of a good read, buy this book instantly.

The Laundrymen. By Jeffrey Robinson. Published by Simon & Schuster. 340pp, price £17.99

Gary Mead

EATING OUT

A munch at the Apple

It is called Mrs Ascher's Steamed Vegetable Torte and it tends to turn heads when served in New York's Park Avenue Cafe, consisting as it does of a brightly coloured tower of layered peppers, squashes, zuchinis, spinach, cauliflower and broccoli, topped with a puree of eggplant, potato and leek.

The dish typifies the exuberant style of resident chef David Burke, one of Manhattan's best known exponents of New American cuisine, who imaginatively mixes traditional staples of US cooking with more exotic ingredients and presents the dishes in dramatic fashion. Other examples of his art include chilled lobster salad with toasted saffron, couscous, endive and candied lemon; or carpaccio of marinated tuna and seaweed wrapped noodles.

The Park Avenue Cafe is a relative newcomer to New York's rich choice of top quality restaurants. But over the past two years it has become a fashionable alternative to Mid-town Manhattan's leading established exponents of contemporary American cooking, namely Aureole, Arcadia, the Quilted Giraffe and the Sign of the Dove.

The food is exciting (though some critics complain it is a little too contrived), the wine list is strong, and the service is attentive, without the American waiter's irritating tendency to over-familiarity.

It is a good place for business discussions because its tables tend to be well spaced apart – unlike some of its cramped rivals, where you may find yourself sharing your confidential negotiations with the next tables, or your attention wandering to the much more fascinating details of a neighbouring diner's love life.

The decor is conducive to both types of conversation, blending romantic American country folk art with a dash of hard-edged city sophistication.

In short, it has the class one would hope for from a Park Avenue address, without any of the stuffiness that often accompanies it.

A meal for two, including a decent bottle of wine, tax and a 20 per cent tip, will cost $180 to $200.

Park Avenue Cafe, 100 East 63rd Street, New York. Phone: 644-1900.

Martin Dickson in New York

GIZMOS

Bi-Bop deluxe

There are few things the French like better than techno-toys. Only a few years ago they were extolling the virtues of Minitel, the interactive information system that might be more of a bumpy B-road than an information superhighway, but is now a fixture of Gallic life. However, *the* techno-toy of the moment is the Bi-Bop, the portable phone launched last year by France Telecom. So far the Bi-Bop is only available in Paris and Strasbourg. But the café terraces and garden squares of those cities are already peppered with phoneaholic Bi-Bop owners chattering into their natty black plastic phones.

The Bi-Bop has its drawbacks. It is not, after all, truly portable. It can only be used within reach of a *borne*, one of the transmission boxes that France Telecom has fitted to the Paris and Strasbourg lamp-posts. That said, so many

bornes have been installed that there are few places in Paris or Strasbourg where you cannot use a Bi-Bop, and it can receive calls from – and make them to – anywhere in the world.

Also, the Bi-Bop does have its advantages. One is its price. It only costs FFr990.00 (around £100) to buy the phone itself – plus FFr54.50 for monthly rental and FFr29.00 a month for access to an ansamachine – which makes it much, much cheaper than a conventional portable phone.

The Bi-Bop also has the benefit of good design. It is small enough to be popped into a pocket: but not so small that the user risks falling into the trap of looking as though they are conducting a love affair – or clinching a business deal – by mumbling into the palm of their hand.

Alice Rawsthorn in Paris

FINANCE

Tax-free benefits for those made redundant

Few employees like to consider the possibility of redundancy. But if you are faced with the prospect of being "surplus to requirements", you should at least be able to get benefits, such as redundancy counselling from your employer, without being taxed for them.

Usually, benefits provided by an employer are subject to income tax. But David Harris, barrister at Prince Henry's Chambers, London, says benefits provided with the sole or main purpose of helping the employee adjust to the end of his employment, and/or enabling him to find other gainful employment, are tax-exempt.

"Gainful" employment can include self-employment and even positions which carrying an honorarium, such as a job with a charity, although the position must involve payment other than expenses.

As long as this condition is fulfilled, the employer can provide advice and guidance. This can take the form of the services of an out-placement counsellor, professional preparation of a curriculum vitae; training or re-training; the use of office equipment or even the services of a secretary.

The exemption also extends to travelling expenses met by the employer as long as they are in connection with the tax-exempt benefits. So they can include travelling from the employee's place of work to a counsellor, a training centre or an interview and even visits to prospective clients, if you are thinking of self-employment. It is highly unlikely though that reimbursement for travel expenses from the employee's home will be tax-exempt.

Harris says that although the employer cannot restrict the benefit to any particular type of employee (such as directors), it can be limited to a particular class so that an employer can require his staff to have had five years' service before giving them this benefit.

Relief is not available for services performed outside the UK, so an overseas employee who is made redundant cannot benefit from the exemption unless he returns to seek "gainful employment" in Britain. If he has been working abroad for a long time, he may not be liable to pay UK tax, anyway.

Scheherazade Daneshkhu

STYLE

Binoculars: one man's view

It is hard to get by at Epsom, Ascot or a Test match without them. But binoculars are a bit like fire extinguishers – you only use them rarely and then in something of a hurry. And like fire extinguishers if they don't work immediately you won't get a second chance to deal with the matter in hand - whether it's picking out your horse, glimpsing a migratory Redwing, or identifying a yacht off Cowes.

So binoculars must be sensible and easy to use. This automatically rules out some of the smaller pocket binoculars, made by Nikkon or Pentax and available in many high street shops; however cute and stylish they look they're too fiddly to adjust and too uncomfortable to hold for any length of time.

This also goes for the Zeiss ladies binoculars, which look terrific but are awkward to use and cost over £300 (Zeiss' larger offerings are handier but come in at over £700). At the opposite end of the scale there is the Russian-made Helios range at less then £50 for an honest pair of binoculars. These are cheap but they're not the best optically and they're distinctly old-fashioned in use.

The serious binocular user will probably go for something like a Viking or a Bresser – both of which despite their names are essentially Japanese. And this is the important part – provided that the optical equipment inside your binoculars is Japanese there's little difference in image quality between most makers, only one of price and usability.

The Viking Firefly for instance, is a compact ladies binocular offering 10x magnification, a 24mm lens, anti-glare coating and a moulded grip. It is easy to use and highly effective. The larger Viking model, with 10x magnification but a 42mm lens (for a bigger, brighter view) costs around £200. It fits the palm nicely and can be adjusted for focus and eye postion almost without thinking.

Bresser binoculars are of German design but Japanese manufacture. Its 7x50 Action model is tough and workmanlike at £128; while the heavy traditional 12x50 Corvette design costs £244 and will give a fine image, but at the expense of a little more shake. Indeed, a magnification of anything over 12x is likely to be unhelpful, since the bigger the magnification the more shake is transmitted. Officials at Cowes use vast binoculars with 20x magnification but they have to rest them on tripods to keep them still. Zoom binoculars offering variable magnification from 8x to 20x are fun, but (quite apart from shake) the extra lenses inside reduce image quality and the size of the field of view.

Whatever you choose make sure you give it a reasonable trial first. Look for any curvature of straight lines in the field of view; and watch for imperfect colour correction – do whites come out yellow or bluish rather than white? You'll need a decent photographic shop or optical equipment specialist if you want to do it properly. Somewhere like Broadhurst, Clarkson and Fuller in Farringdon Road, London, is a good bet.

Charles Jennings

BUZZWORD

Euro

The European elections with their "Euro-candidates", "Euro-sceptics" and "Euro-enthusiasts" are the latest confirmation "Euro-" has become the most highly charged of political terms. A decade ago it sent us to sleep. But its meaning depends on who is using it.

In Australia it has a double life as the name for a kangaroo, according to Webster's dictionary. In Europe, the prefix is as old as the continent. "Euro" comes from "Europa" (Greek: Europe), the Phoenician princess abducted by the Greek god Zeus who appeared in the form of a white bull. The noun and adjective "European" have spawned the inevitable "Europeanise" and "Europeanisation".

In 1949 George Orwell spun "Eurasian" (combining Empire and India, meaning an Anglo-Saxon who spent a lifetime in India) into the power block "Eurasia" for "1984". Then in 1963, investment banks Hambros and Warburgs created "Eurodollars" and "Eurobonds". Since then, with the UK's impending membership of the European Community in the 1960s and the money market expansion in the 1980s, "Euro" has enjoyed two periods of popularity.

During the 1960s when the pejorative "Eurocrat" and "Eurospeak" nodded towards Orwell's faceless state, the political foundations of the word, with an anti-European leaning, were laid. There was an inundation of consumer "Eurobabble" in the 1970s as UK membership began to affect shoppers and suppliers, while economists warned of growing "Eurosclerosis".

In the 1980s, "Euro" arrived as shortspeak for Eurodollar Futures in Chicago and New York. And the mid-1980s saw "Euros", meaning people from Europe, used by Americans as in: "there are Euros on holiday... and 'Miami Vice' clones" (*Newsday* 1989); and by the British in "why didn't we assert British Rule and make the Euros change to furlongs and chains...?" (*The Listener* 1986). America today uses "Eurotrash" for Europeans in New York, dark of suit and thick of accent in Soho or the Village.

In the UK, the word pulls in two directions. In British politics, "Euro-" evokes its antithesis, not Asia- or America- but a feeling of Britishness. Politicians starting life as Members of the European Parliament became "Euro-MPs", a Brussels copy of Westminster. But in business, "Euro-" is a positive and unequivocal form: "Euro-" spells multinational, culturally adjusted. "Dun & Bradstreet's Key British Enterprises" has 171 of the largest companies bearing the "Euro-" prefix, like Eurobake, Eurohire, Eurotec and Eurotunnel.

The greatest "Euro-" remains the evergreen "Eurovision Song Contest". The patron saint of television, St Clair of Assisi, could not have wished for better "Euroconvergence".

Andrew St George

Press Association

Dean Saunders: innocent of inflicting intentional injury to Paul Elliott

SPORT: LAURA THOMPSON

No question for courts to tackle

Two sportsmen sit in a court of law. A judge decides, if, during the course of a game, one of them was guilty of inflicting intentional injury upon the other. It is a strange scenario. It seems inappropriate, almost to the point of absurdity, that the elephantine weight of the judicial process should be brought to bear upon that fleeting rush of blood, that momentary loss of control, that ridiculous clash of wills; that it should be brought to bear upon a "tackle".

Surely the person who inflicts intentional injury is the thug with the jagged bottle? There might be a few such people on the terraces; but on the pitch? How can the two arenas be in any way compared? Does not the question of guilt or innocence, so clear-cut in the case of the football hooligan, become amorphous and – again – inappropriate when applied to the essentially unreal world of the game?

Yet the question has been raised over the past few weeks. Ex-Chelsea player Paul Elliott had his knee and his career wrecked in a tackle by Dean Saunders (then of Liverpool, now of Aston Villa), and took Saunders to court for compensation. In order to receive any money, Elliott had to establish that Saunders' tackle was reckless or dangerous; that he had been going for the man and not the ball. This question, one of the most commonplace in football and snap-judged by referees perhaps every week in the season, had, through the severity of Elliott's injury, become a different question; whether Saunders was guilty or innocent.

Yet it is hard to believe that anyone in the case thought of it in that way. Surely Elliott didn't really believe that Saunders was "guilty" of anything? Surely there was some deliberate, if necessary, obfuscation of the issue; Elliott wanted money, rather than the condemnation of Saunders, but he could not get the first without the second?

It was an absurd situation; not because of the claim itself, which Elliott had every right to make, but because of the way in which he had to make it. It wasn't even as if the question of guilt or innocence was easy to judge. Certainly the effects of the tackle were horrific, but one might see any number that look more obviously reckless. This added another level of absurdity to proceedings, as a parade of witnesses passed solemnly thought the court to tell it whether or not they thought Saunders had been going for the ball. The final absurdity came when Mr Justice Drake, having listened to this minutely observed evidence, decided he would, after all and nonetheless, abide by the instant judgment of the match officials. At the time of the collision, the referee had awarded the free kick to Liverpool; and the referee is always right.

It is interesting to imagine what would have happened had the tackle been completely indefensible. In the Elliott case, the question of whether or not a sportsman can be adjudged guilty in a court of law, for a misdemeanour committed on a playing field; was obscured by the attention given to whether or not Dean Saunders was guilty of "anything". Everybody was absorbed in the little intricacies of what had happened two years ago. Nobody had to address the larger muddle that is happening now. Sport was let off the hook by the fact that Elliott's case rested more on the dreadful effects of the tackle than on the tackle itself. What might happen if a clearer case was brought, in which no evidence could be given in favour of the sportsman who inflicted the injury?

Another question would still remain; that of intent. It is hard enough to say what motivates any sudden assault, and it would be almost impossible to prove what lay within the impassioned convulsions that shake team sport. Even that of Van der Bergh, the South African rugby player whose studs ripped Jon Callard's head to shreds, could probably defend himself by saying that in the heat of the moment he lost all consciousness of the fact that he was walking around somebody's eye.

And Dean Saunders: even if his tackle on Paul Elliott had looked as wild as the one in which Paul Gascoigne wrecked his own knee, who could ever prove that there was intent behind it to harm another player? It is an accusation which, again, is inappropriate. That is where guilt in the law court and guilt on the playing field become two different things.

Sportsmen want to win; that desire can lead them to do things which are sometimes stupid, and sometimes that stupidity can have serious consequences. But the intention behind a sportsmen's actions is so confused by aggression – the dangerous commodity with which he is always dealing – that he himself would scarcely be able to analyse it. If the aggression is badly directed, then he is playing bad sport. If it is directed to a more deliberate, more sinister purpose, then he is not playing sport at all.

MEDIA FUTURES

Japan plays catch-up with US

At first sight advanced information networks might seem like another instance of Japan stealing a march on its competitors in a key new technology. The truth is rather different, reports Michiyo Nakamoto

The dull, grey halls of Japan's Ministry of Posts and Telecommunications seem an unlikely cradle for inspired visions of the country's high-tech future.

But for several months these shadowy corridors have been abuzz with activity, as bureaucrats have raced against time to come up with a credible blueprint for Japan's information superhighway.

The speed and enthusiasm with which the MPT has moved has been startling. Last month, in a report by the Telecommunications Council, it made public its vision of Japan's advanced information network. The report will form the basis for the ministry's policy-making.

It said Japan should be well on the way to an advanced information society by the turn of the century, with 20 per cent of the population connected by fibre-optic cable that will allow speedy, two-way transmission of vast amounts of information. By 2010, such cables should criss-cross the nation in a network that would provide the entire population with access to the information superhighway.

At first sight it might seem like another instance of Japan stealing a march on its competitors with an ambitious long-term plan to give it a lead in a key new technology. The truth is rather different. Japan is behind the US in plans for an information superhighway and there is little detail on how the ministry's report might become reality.

By the MPT's own estimate, the programme would cost between Y33tn and Y55tn, with an additional Y42tn needed if the cable is to be installed underground. As yet there is no indication where funds on that scale would come from.

Yet the bureaucrats are in a hurry for a number of reasons. They are under pressure to catch up with the US which, when it comes to multimedia, is several years ahead of Japan. The MPT estimates that by the year 2010, the information and communication industries could be generating between 5 and 6 per cent of gross domestic product, or Y123tn. The number of new jobs created could come to 2.4m, or more than the number employed in the Japanese automobile industry today.

Japan is searching for a new engine for economic growth. The post-war growth of the Japanese economy was fuelled first by heavy industry and then in turn by automobiles and consumer electronics. With international competition in both industries mounting, and after a long and bruising recession, economic strategists are searching for competitive advantage in higher value added fields. Multimedia is an obvious candidate.

The telecommunications ministry is not alone in mapping out a multimedia future for Japan. The Ministry of International Trade and Industry last month published its own report on an advanced information programme. As the past architect of Japan's industrial future, Miti is increasingly convinced that added value in economic activity will come not from manufacturing but from intellectual activity, such as software. A sophisticated information infrastructure is crucial in fostering such intellectual activity.

According to the MPT's vision, Japan's advanced information infrastructure should be rolled out in three stages over a period of 17 years.

The first stage would be to connect the largest cities, prefectural government offices and public facilities, such as hospitals, libraries and schools, with fibre-optic cable. This would link 20 per cent of the population.

The target for the second stage, would be to link cities with a population of over 100,000 and give coverage to 60 per cent of the population. The final stage would aim for nationwide linkage by 2010.

Plans for financing all this, however, are vague. The job of building the superhighway should be left to the private sector, the government argues, and the MPT believes government's role should be to provide interest-free or low-interest loans and tax incentives. There could also be spending to promote the use of information superhighway services, especially among public institutions. This could start as early as next spring.

The authorities' approach to regulation could be equally important. Tight regulations and lack of competition have kept the prices of many services very high in Japan. Without greater competition in providing multimedia services, prices could be so high as to discourage many consumers. There are some signs that Japanese ministries recognise that the multimedia market will only take off with a plurality of service providers offering a wide range of services.

The only private company capable of building a fibre-optic cable network of any scale is NTT, the telecommunications group. It has drawn up plans for laying fibre-optic cable throughout the country by 2015.

Yet by relaxing many of the rules that separate the broadcasting and telecommunications industries – which have hindered the growth of cable TV operators – the MPT is attempting to foster competition against NTT. Rules on foreign ownership of broadcasting companies have been relaxed and the ministry is considering a plan to enable the country's small, independent cable TV operators to link up using the infrastructure of the relatively new telecommunications companies known as new common carriers. While the authorities labour over the regulatory issues, a swarm of private projects are under way to test the practicalities of advanced two-way communications and the services they might offer.

The National Children's Hospital and Tokyo Teishin Hospital are carrying out an experiment linking some of their patients to the hospital through digital networks. A colour videophone is place in the patient's house to enable doctors to conduct simple examinations of their patients. Data on blood pressure, urine samples and from cardiograms can also be sent through the digital phone lines.

Secom, a security systems company, and a hospital in Tokyo have started a service to provide support in analysing computed tomography and MRI images. Hospitals and clinics which sign up for the service send in CT and MRI images through integrated services digital networks for analysis by specialist doctors. The analysis is then sent back by fax. But in future Secom aims to conduct the services on interactive networks.

Sega, the video games maker, has started providing cable TV subscribers with games-on-demand. And trading houses, such as Sumitomo and C.Itoh, have tied up with US companies to develop home shopping.

Okazaki, a city in central Japan, has been designated by the MPT as a model city for multimedia networks. Students will be able to access educational information collected by the city using existing cable TV networks, and teleconferencing will be used for major school events, such as student board meetings.

As projects multiply, the practical benefits of advanced communications networks will become clearer to a still mystified public.

The first in this series appeared on June 30 and looked at Italy

MAIN ADVANCED COMMUNICATIONS PROJECTS IN JAPAN

Remote medical services:
- The National Children's Hospital and the Teishin Hospital in Tokyo have linked up with some of their patients in an experiment to provide remote medical services.
- Secom and the Kugayama Hospital in Tokyo are providing a service to hospitals and clinics which enables them to send medical images, such as those obtained in computer tomography and magnetic resonance imaging, over advanced telecommunications lines to a central station, which then retransmits specialist analyses.
- Nikon, Fujitsu, Kyoto University and Osaka University are conducting experiments in telemedicine, such as the transfer of X-ray photographs and other medical data from one hospital to another across telephone lines.

Cable TV experiments:
- Sega has started providing video games on demand for subscribers to two cable TV networks in Japan.
- In the spring of 1995, NTT plans to test the combined utilisation of cable for CATV video transmission, video-on-demand, telephone and other services through optical subscriber systems.

General experiments:
- NTT is developing applications for multimedia in the office, using high-speed, broad-band backbone networks operating at the gigabit level, using a combination of a synchronous transfer mode and optical fibre technologies.
- Next spring NTT will be conducting experiments in high-performance electronic mail, electronic newspapers and other database services for private use.

Public experiments:
- The Ministry of Posts and Telecommunications is promoting a programme in the Kansai Science City with the private sector to conduct multimedia experiments ranging from video-on-demand and TV shopping to personal handyphones, home reservation systems and video conferencing.
- Okazaki, a city in central Japan, is being designated a multimedia model city by the Ministry of Posts and Telecommunications. Educational photos and video are being digitised and the database will be linked by optical fibre to schools in the area, so that students can call up the data whenever they need it. An interactive conferencing system is also being considered for schools.
- The Ministry of Education is setting up a multimedia promotion group to lay the groundwork for the use of multimedia in education.
- Tokyo metropolitan government will conduct multimedia experiments in TV shopping, remote education services and video on demand.

Compiled by Kuniko Kurimura in Tokyo

Haldeman: a new insight

By Dan Davidson

The diaries of the late H R Haldeman, written every night while he served as President Richard Nixon's chief of staff and closest confidante, have been published in the US in two formats – as a conventional book (G P Putnam, New York, $27.50) and on CD-ROM (Sony Electronic Publishing Co, Santa Monica, California, $69.95) as the *Complete Multimedia Edition*. In his introduction, Stephen E Ambrose, author of the well-received three volume life of Nixon, states he would welcome the opportunity to write an entire book based on what is revealed in the diaries.

The printed version has instantly soared to near the top of the US best-seller lists. Newspaper articles, analyses by columnists and lengthy letters to the editor from Henry Kissinger have generated controversy. Was Nixon anti-black and anti-semitic? Haldeman recounts Nixon's complaint to the Rev Billy Graham about "the total Jewish domination of the media", a view previously confined to the lunatic fringe. Did Nixon and Kissinger consider postponing an end to US participation in the Vietnam War in order to increase Nixon's prospects for re-election? The diaries strongly suggest an affirmative answer.

Can there be many better arguments against limiting a president to two terms than Nixon, who violated constitutional norms in so many ways during his first term, telling his subordinates that in planning for his second term they should recognise that "we will have awesome power with no discipline, that there won't be another election coming up to discipline us?"

The Haldeman diaries are indispensable to any serious work on the Nixon presidency or on Henry Kissinger. But the epoch marking fact is that real research will require review of the CD-ROM.

As the book indicates in a preface, presumably to be read after purchase, it is a condensed version of the diaries. The full text, which is available only on disc, contains at least two and half times the words in the book.

The book has an inadequate name index, with, for example, well over 100 references to Kissinger without any indication of the subject discussed. It is impossible to use the index for a subject such as wiretaps or Vietnam. The disc, however, permits the reader to enter any word, or combination of words, and move to the relevant passage with the selected keywords highlighted on the screen.

Another useful feature of the disc is the ability to obtain instant identification of any individuals mentioned in the text. If, for example, a reference to a "dragon lady" is obscure, a click of the mouse will produce a short biographical sketch of Anna Chenault. The user of the disc can split the monitor screen, with the diary entry on one side and the presidential log book and newspaper headlines on the other.

Diarist: Haldeman

Some of the remaining space on the disc is occupied by 700 still photographs, 45 minutes of amateur movies taken by Haldeman, and a 120-page unsent letter from Haldeman, then in prison, to James Neal, the prosecutor, asserting Haldeman's innocence and giving his version of Watergate.

Research may never be the same again.

Dan Davidson is a Washington lawyer and former member of President Nixon's national security council

ARCHITECTURE

Academe's Coventry climax

Colin Amery praises the new work by Richard MacCormac

Patronage is the key to good architecture. When a top British company has the courage and skill to commission a leading architect to design one of its major buildings the result can be inspiring, both for British business and the architectural profession. The new residential training college for Cable and Wireless at Coventry shines like a beacon of encouragement in a world where good architecture is badly held back by both the recession and client timidity.

Quite simply it is one of the best and most thoughtful new buildings to have been built in England for some time.

When it came to its search for an architect for a new college on a rural site near Coventry, Cable and Wireless was wise enough to follow the route of a private competition by interviewing a shortlist of potential candidates.

The company's choice of Richard MacCormac's firm of MacCormac, Jamieson and Prichard was made for two reasons. First, it appreciated the experience of the firm in the building of academic and residential buildings. Second, Cable and Wireless recognised the firm's distinction: Richard MacCormac had made it to the top of the architectural tree as president of the RIBA.

Before choosing, the selectors took a tour of MacCormac's existing buildings, such as the waterside, residential Sainsbury Building at Worcester College, Oxford, the New Court at Fitzwilliam College and the more recent chapel at the same college in Cambridge. These showed the clear aesthetic and practical development of the practice over the last decade. MacCormac's most recent building in Oxford is the Garden Quadrangle for St. John's College; and his competition winning scheme for Balliol is awaited with interest.

Cable and Wireless is relatively unusual for a British company (although one that is global in its activities), in wanting to build a residential training centre from scratch on a virgin site. Many British companies find it almost irresistible to acquire a old country house, preferably in a stately park.

The site outside Coventry is close to the University of Warwick and shortly to be bordered by a new business park. It is perfectly placed and designed with assurance and imagination. MacCormac has rare gifts. He is fascinating to talk to and refreshingly flexible in his approach to architectural debate. His quiet thoughtfulness shows at every point in the Cable and Wireless College.

Atmosphere of calm is as much to do with materials as with the sense of enclosure

The company wanted somewhere that immediately gave a sense of a special place of learning; a place where residential life is made dignified and enjoyable by the surroundings. You sense its special qualities the moment you arrive, driving past the water and scrunching on the gravel as you reach the gently modulated steps beneath the wave-like curves of the roofs.

A parallel series of single-storey teaching studios stretch out on each side of the main entrance. As you pass through you reach the central space of the college – an oval court that is partly sheltered and partly open to the sky. This is the heart of the college: in a traditional way the refectory, library and common rooms gather here. The college garden separates you from the residential buildings. At one end of the long garden court is the leisure and fitness centre.

Water plays an important part in the overall layout – a long rill running through the garden culminating in a waterfall beneath the leisure centre. The firm of Colvin and Moggridge were the landscape architects and they seem to have understood the sense of almost oriental simplicity of the architecture. The gardens, water, trees and varied surfaces underfoot all unify the whole site and create a rare feeling of another world.

The atmosphere of calm is as much to do with the choice of materials as it is with the sense of enclosure. The specially made green ceramic tiles on the wave-like roofs have an extraordinary capacity to reflect the changing light in the sky. The stone and concrete is everywhere finely finished; the palette of colour inside and outside is natural and elegant.

There is no sense of pretension or contrivance about this building. It is a place which is respected and liked by those who work there. Prof David Ashton, the college's chief executive, explained how well the traditional collegiate qualities of the design help to cement working relationships on his courses on advanced communications technology.

The architect and the client had to marry the everyday world of human relationships, laboratory and classroom teaching with a mass of high-tech equipment and its necessary services. This is where the students learn. They do so in a new building that, by its beauty and careful planning, demonstrates that good architecture can inspire and humanise the most arcane technology.

BUSINESS TRAVEL

BA servies

British Airways is launching an eighth daily flight between London and New York from September 12, the company announced last week.

The daily Boeing 767 flight will leave Heathrow's Terminal Four at 8.45am, arriving at the airline's Kennedy terminal in New York at 11.45am. The return service will leave Kennedy at 10pm reaching Heathrow at 10.20am the next day.

Airport numbers rise

Bank holidaymakers seeking sunshine abroad last month helped boost passenger numbers at the UK's major airports.

BAA's airports, which include Heathrow and Gatwick, handled a 7.3m passengers in May, a 6.5 per cent increase on the year before.

The large number of charter flights meant Gatwick, the UK's biggest holiday airport, handled 7.5 per cent more passengers month. Stansted numbers were up 15.1 per cent, Heathrow up 5.6 per cent, Glasgow up 9.7 per cent and Edinburgh up 8.7 per cent.

Mexico services

The growth of air traffic between the souther states of the US and Mexico in the wake of the signing of the Nafta, free trade agreement, was confirmed last week by USAir. It will start nonstop service between Tampa Bay, Florida and Mexico City on June 11.

Flights will operate daily through the summer and then be reduced to three times weekly, beginning in September and reflecting seasonal travel patterns.

Haiti flights cut

President Clinton has cut off US commercial air traffic to Haiti and imposed a ban on financial transactions in a bid to further isolate Haiti's military rulers and force them to step down.

Canada also said that it would halt commercial flights to Haiti on the same day the US does: June 25. France, the Dominican Republic, Panama and the Netherlands also have flights to Port-au-Prince.

In retaliation Haiti's military-backed government said it would close the country's airport to all flights five days before the ban goes into effect.

Rail strike threat

Signalling staff employed by Railtrack, the body which runs the infrastructure of the British railway system, are threatening a strike for this Wednesday.

RMT, the union which represents the staff involved in the pay dispute, said further talks were due to be held today. However, union officials said much of the goodwill built up in recent talks had been squandered.

The signalling staff voted for 24-hour strikes on June 15 and June 22.

Tunnel fire.

explosion on Saturday caused a serious fire in a rail tunnel being built under the Great Belt waterway between Denmark's main islands at the mouth of the Baltic.

Storebaelt A/S (Great Belt), the construction group responsible for the project, said the fire lasted eight hours before being brought under control.

The tunnel is part of a 20bn crown ($3bn) road/rail/tunnel/bridge link between Zealand island and the European mainland, via Funen.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	26	27	[illegible]	[illegible]	[illegible]
Hong Kong	30	30	31	32	[illegible]
[illegible]	23	22	18	[illegible]	[illegible]
Frankfurt	22	21	23	21	[illegible]
New York	29	31	32	[illegible]	[illegible]
L. Angeles	24	26	26	27	[illegible]
[illegible]	[illegible]	27	29	[illegible]	[illegible]
Paris	22	22	24	21	[illegible]
Zurich	22	22	24	[illegible]	[illegible]

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

Tony Walker offers guidelines for a trip to China

How to stay as safe and secure as you can

Travel in China these days is not a tea party, as late Chairman Mao Zedong said of the revolution. The crash last week near the historic city of Xian of a Russian-built Tupolev-154, killing all 160 passengers, did nothing for already shaky confidence in China's air safety.

Foreign visitors to China might follow some fairly basic guidelines to improve the odds of surviving their expedition. The first is to avoid Russian-built planes, which comprise about 10-15 per cent of China's domestic fleet of some 350 aircraft, spread among 30 or so airlines.

Mr David Mahon of Mahon and Associates, a China business consultancy, says that in scheduling flights for clients he avoids Russian Antonovs, Ilyushins and Tupolevs. On the occasions when a passenger finds that a Russian-built aircraft has been substituted for a Boeing or an Airbus, Mr Mahon's advice is to walk away, await another flight or seek alternative means of travel.

To prepare for last-minute changes of plan, travel light: in other words, try to restrict luggage to "carry-on" items.

Risks of travel in China, where more than 500 have died in some half dozen crashes since 1992, mean that help on the ground is virtually a necessity. Agents abroad might lack expertise in local conditions. Ticket confirmation is also difficult to arrange at a distance, given the chaotic Chinese aircraft booking systems.

China consultants are also recommending these days that their clients travel first class, since escape may be easier from the less crowded forward compartment. In selecting regional airlines, choose carriers with established reputations, such as China Eastern from Shanghai and China Southern from Guangzhou. Airlines based in remote regions should be avoided where possible.

Western aviation experts attribute China's bad air safety record to the increase in airlines: there are not enough experienced pilots and maintenance staff to go round. Air traffic guidance systems are also inadequate.

In addition, many airports have not been designed to receive jets which require greater length of runway than propeller-drive aircraft. Pilots come into land hard and fast, as if they want to get the process over and done with.

Travellers to China have a range of options other than air travel. But again arrangements are hard to make at a distance.

Ferries are a reasonably pleasant and secure means of travel between coastal cities, such as Shanghai and Ningbo in the south, or Dalian to Tianjin or Qingdao in the north – provided you can secure first or second-class accommodation. "Soft sleeper" or "soft seat" – as opposed to "hard" – rail travel is another method of getting around China, although the process is slow.

Road travel is another option; but because of congested roads – there are few expressways – and anarchic driving, it can be nerve-wracking. Hotels will assist in choosing a car and driver.

No means of Chinese travel these days is especially appealing, and is unlikely to be so for years to come. In China, business is not easy, and neither is getting from A to B.

The strains of travel in China have become a rich source of anecdotes, and more than a few apocryphal tales are exchanged by jaded businessmen.

Among the more recent "horror" stories was one involving a McDonnell Douglas MD82 on a flight from Hong Kong to Qingdao on the coast south-east of Beijing. Passengers were alarmed when the pilot of the Eastern Airlines aircraft tilted the wings from one side to the other in an apparent attempt to get fuel running smoothly to the engines.

Travellers in China become used to delays in an overloaded network, but they also require nerves of steel.

A New Zealand businessman reported that an aircraft in which he was travelling earlier this year made four abortive attempts to take off, before giving up.

Passengers are also obliged to endure faulty landings and other mishaps that would be rare in the west. A Chinese safety study found that in the first five months of this year there were 17 such mishaps, including wings scraping the ground on landing.

Hijackings are another problem: travellers over China's southern coastal regions stand a fair chance of making an unscheduled detour to Taiwan. Last year, there were no fewer than 10 hijackings to Taiwan.

AP

Weighing up the risks: doing business in China poses problems

Vision of winged giants

Paul Betts on plans for 600-seater superjumbos

The world's two biggest commercial aircraft manufacturers, Boeing of the US and the European Airbus consortium, are stepping up studies to develop a new generation of superjumbos, capable of seating 600 or more passengers.

Mr Jean Pierson, Airbus chief executive, confirmed this month that the European group would soon start marketing a 600-seat aircraft – the A3XX – to a selected group of international airlines.

This new project would challenge Boeing's dominance of the large aircraft market with its 747-400 jumbo, which can already seat 450 to 500. But Boeing is also at an advanced stage of studies to build an even larger jumbo: either a completely new aircraft or a bigger derivative of the 747.

At the same time, Boeing and Airbus are jointly studying the development of an even larger aircraft seating more than 800, in the so-called Very Large Capacity Transport (VLCT) project.

Although the airline industry has yet to recover its financial health, the manufacturers believe there will be demand for a large aircraft by the turn of the century. "By around 2002, airlines will have to consider replacing their existing 747-400 fleets," says Mr Pierson. More significantly, a big aircraft will also be necessary to cope with air traffic growth and increasing congestion at busy airports.

"Already only 33 airports account for 50 per cent of world air traffic," explains Mr Claude Terrazzoni, the head of the commercial aircraft division of Aerospatiale, the French aerospace group with a 37.9 per cent stake in Airbus.

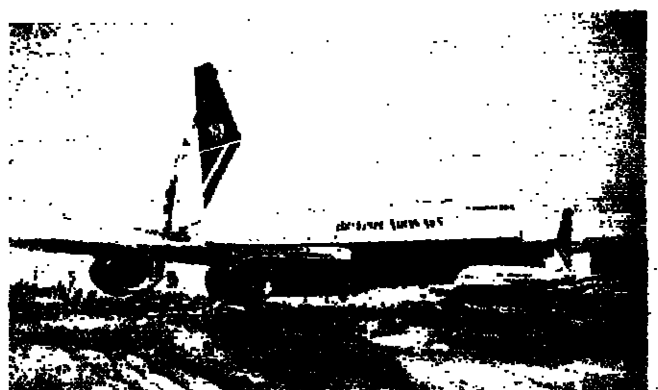
So far only two big airlines have expressed strong interest in acquiring superjumbos. "We would be willing to go forward with an aircraft of 600 seats offering the same long range but also 20 per cent lower operating costs than the 747-400," says Sir Colin Marshall, British Airways chairman.

A superjumbo would help BA tackle some of the growing runway congestion problems at its London base of Heathrow. But it would also give the UK carrier the opportunity to offer more facilities for both business and economy passengers.

BA has already made its own design studies for the configuration of such an aircraft, including the introduction of inflight business offices equipped with faxes, telephones and personal computers, a cinema-style inflight entertainment room, and even a work-out section for fitness addicts.

"We see the use for such an aircraft on Far East routes, Australasia services and across the Atlantic," Sir Colin explains.

Singapore Airlines has also expressed strong interest. Mr J Y Pillay, the Singapore Airline Group chairman, recently said his carrier would initially buy five superjumbos to serve routes to the UK and continental Europe as well as trans-Pacific routes and – if it secured the necessary rights – across the Atlantic from London.



BA's impression of a double-decker, dwarfing a Boeing 737

PEOPLE

Shakey first steps of black empowerment

Nthato Motlana tells **Patti Waldmeir** about the challenges facing black business in the new South Africa

Nthato Motlana is South Africa's most prominent black businessmen – and that is a revealing commentary on the state of black business in the post-apartheid era.

Motlana is a medical doctor, a decent soul, a man of the best intentions. But his record as a businessman can scarcely explain the large infusions of corporate power which he has recently received from white business, eager to divest itself of peripheral assets in the name of black economic empowerment.

The recipients have been Motlana and a handful of other black leaders with the right political connections, but often only a passing experience of business.

Perhaps they are best seen as caretakers for the new generation of black businessmen growing up freely in a world without apartheid. But in the meantime they control several billion rands worth of assets; and at least as far as Motlana is concerned, his plans for managing the assets remain difficult to discern.

Motlana is understandably pleased with the recent election of his lifelong friend and patient, Nelson Mandela (he is Mandela's personal physician) to the Presidency of the new South Africa.

When I arrived to interview him in the coffee shop of a Johannesburg hotel – on a public holiday, he has no free time on any other day – Motlana proudly announces that there is only one member of the new cabinet whom he does not know well.

His pride would be touching, if that fact were not so much part of the problem: the suspicion that political expedience prompted his elevation, that he and other black South Africans (deprived by apartheid of capital, skills, education and opportunity) could be tempted to peddle political influence to gain economic power.

Motlana, 69, who has had a long and respected career as a community leader, has no time for this argument. "I've been criticised as one of those who is going to get rich as a result of so-called black economic empowerment.

"My answer to such critics is that I got involved in business in the late 1960s when the (ruling) National Party took a resolution that 'elke kaffir moet 'n baas hê' (every black must have a boss) and that's where we begin."

Far from accepting that a black man could never be boss, Motlana formed a series of companies over the past 25 years, yet he does not try to hide the fact that almost all of these businesses failed. His first company, formed to manufacture school uniforms, went under because the managing director stole company funds; the next, a manufacturing firm producing hair products, detergents and car wash liquid, failed because of lack of management skills. A venture in chicken farming proved no more successful. "You have no idea how much money i've lost," Motlana concludes.

His only notable success has been the Lesedi Clinic, South Africa's first private black hospital – and even that had to be bailed out by a white shareholder, Afrox, which recently took 10 per cent of the equity and a management contract to prevent its collapse.

This is not to deny the formidable, perhaps insuperable, obstacles which apartheid put in Motlana's way. "Everything we did was illegal. Black business in this country has always had to break the law," he points out, reminding the listener that until the 1980s it was virtually impossible for blacks to obtain property for business use. Banks would not lend in the absence of collateral – and this was unavailable because under apartheid blacks were not allowed to own the freehold of their homes.

He is understandably proud of his achievement in conducting any business at all under those circumstances. "I hate people who say to me, you are empowered by politics, because I'm not! I battled at the coal face when it was almost impossible to do so.

"So don't talk to me about black economic empowerment because I don't come from that bloody genre, I come from a time when it was impossible and I did it! That's where I come from, not from some bloody political patronage!"

But the challenges facing Motlana now are of a wholly different order. Last year he became chairman of Methold, a black-owned holding company.

The Afrikaans insurance giant Sanlam recently granted Methold a controlling stake in Metropolitan Life, an insurance company which targets mainly blacks. It was one of the first major corporate deals to empower black South Africans.

As part of the deal, Sanlam ceded control to Methold, which borrowed R137m from the state's Industrial Development Corporation to finance the purchase of 10 per cent of MetLife shares. But Methold is struggling to place the shares with black shareholders, who lack the capital or inclination for share purchases.

Motlana is also chairman of Corporate Africa, his chief investment vehicle. It controls the largest black newspaper, the Sowetan, after Anglo American Corp, which previously controlled the Sowetan indirectly, ceded a majority stake to Motlana and other black leaders.

The deal was financed via Corporate Africa's stake in the cellular telephone network MTN, which it gained in turn through political pressure.

All these deals have been criticised for empowering the black elite far more than the man in the Soweto black taxi, whom Motlana claims to represent.

An amiable man clearly unused to tough questioning, Motlana becomes increasingly strident when confronted with this charge; but he lacks a convincing defence.

"You can ask, what value does Motlana add to any of these businesses," says a local businessman involved in one of the deals. "The answer is not a lot. But then you have to ask: who else is there?" Apartheid not only stifled black business, it prevented the emergence of natural leaders.

And that is precisely what Motlana wants to rectify. "We're interested not in some token director like Motlana who sits on the board, but in seeing upward mobility of blacks within organisations, that's where the real power is," says Motlana.

"Sometimes we speak of black economic empowerment and we demand total control...that is unrealistic. We lack the financial muscle...the management skills...all manner of things we have been denied for many years. I'm looking forward to companies where we have a van der Merwe and a Khumalo (typical Afrikaner and African names).

"You can call it tokenism if you like, but it's going to be the story of South Africa: van der Merwe and Khumalo. The Afrikaners did the same thing: when the National Party took over in 1948, it was Levine and Kruger. The banks in South Africa were all run by English men; today most of the major banks are run by Afrikaners."

Motlana's vision of a South Africa run by Africans is scarcely consoling to whites: "For the first time we blacks are going to sit back and employ whites and see them sweat on our behalf" – hardly a sentiment which his patron, Nelson Mandela, would endorse.

But whatever Motlana's other shortcomings, he can boast perhaps the most essential quality of a successful businessmen: the desire to get rich. He quotes Chinese leader Deng Xiao Ping approvingly: "It is glorious to be rich. That's my favourite quotation.

"I'm looking forward to the creation of black Donny Gordons (founder chairman of the highly successful Liberty Life, the South African insurer)." If Motlana can foster the creation of younger versions of the rich and flamboyant tycoon, he will have done his bit for the new South Africa.

NAMES IN THE NEWS

'English' Frenchman to head Unice

François Perigot is the first Frenchman to take over the presidency of the increasingly important European employers' body Unice, writes David Goodhart. Unice has a vital lobbying role in Brussels and in areas like the European social dimension it even has a formal negotiating status.

As these responsibilities have grown so has the potential for tension within Unice between the business cultures of different European countries, especially between the aggressive tone of Britain's employers and the consensual manners of much of continental Europe.

Domestically, Perigot is regarded as a liberal and was roundly condemned, even by other businessman, for suggesting that a GATT agreement might be good for French business. "That earned him his spurs and really clinched the Unice job," says one senior Unice member.

He is also happy to take a tough line against the European Commission on issues like the imposition of European works councils in multinational companies. And having spent 15 years of his working life at Unilever – running both the Spanish and French subsidiaries – he is more than familiar with British business culture. "He is virtually an English Frenchman," says his friend Howard Davies, head of the Confederation of British Industry.

But the golf-playing Perigot may not always see eye-to-eye with the CBI. Last week he was quoted in the French business daily Les Echos as saying that the European social dimension "is both substantial and positive" – a sentiment to which few British business leaders would put their names.

In any case, Perigot is well versed in the politics of employers' organisations; since 1986 he has been president of the main French employers' body CNPF, a job he is not expected to continue for long.

Ponzellini moves to EIB

Jacques de Larosière's European Bank for Reconstruction and Development has been raided for a second time, writes William Hall. Less than three months after Mario Sarcinelli, number three in the EBRD, left to head Banca Nazionale del Lavoro, the European Investment Bank has poached another EBRD high flier.

Massimo Ponzellini, 43, who helped set up the EBRD and heads its tourism and real estate department, is the youngest of three new recruits to the EIB's top management committee. The others are Luis Marti, 57, an adviser to Spain's ministry of economy and finance, and Panagiotis-Loukas Gennimatas, 45, a senior adviser in the Bank of Greece.

The EIB lends roughly ten times as much as the EBRD and Ponzellini will be one of the six vice-presidents reporting to Sir Brian Unwin, the EIB's new president. The intention is that the EIB's vice-presidents will have an increased hands-on role.

Ponzellini is a former personal assistant to Romano Prodi, a fellow Bolognan who has just handed in his notice as chairman of IRI, Italy's huge debt-ridden state holding company. Much of Ponzellini's early career was spent in various parts of IRI but at the EBRD he has made his mark by pioneering project-related lending and taking equity stakes.

"The challenge at the EIB will be to get closer to the private sector," says Ponzellini, who hopes that as one of the few bankers at the top of the organisation, he can help revitalise an institution which in terms of balance sheet size is bigger than the World Bank.

Skinner on brink of huge power

Pacific Gas and Electric's carefully laid plans for management succession called for Stanley Skinner, president and chief operating officer, to take over as chief executive a year from now, writes Louise Kehoe. Instead, Skinner will move into the top job at America's biggest power utility next month.

By accelerating its plans, PG&E aims to give its new chief executive a head start on what may be one of the most difficult periods in the history of the company as California moves to deregulate its electricity supply industry. Skinner, 56, will succeed Richard Clarke, 64, who will remain chairman of the board.

"The next few years will produce greater change than we have seen in the last 10 or 15 years combined," says Clarke.

A recent proposal by the independent California Public Utilities Commission aims to reduce electricity prices by creating a competitive market. The plan calls for all electricity users in the state, including residential customers, to be allowed to buy electricity from the supplier of their choice by the year 2002. It also establishes a streamlined, performance-based rate-setting system.

PG&E, which has long operated its electricity supply operations as a regulated monopoly in many parts of California, is about to go through the same kind of upheaval that has reshaped the US telecommunications industry over the past decade.

Skinner will play a pioneering role in managing the transition to deregulation in the US electricity industry. California's plans for deregulation of energy utilities are advanced, and other states are expected to follow its lead.

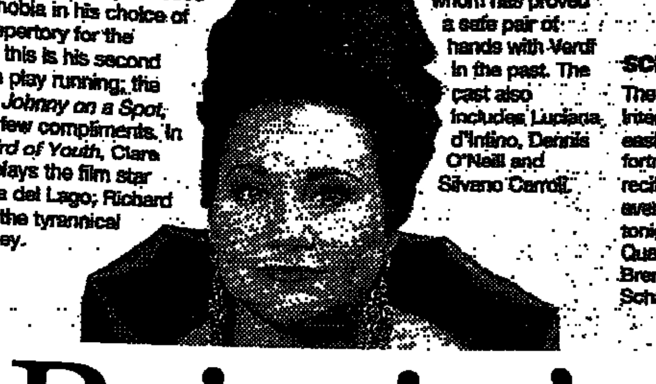
■ Hans Heckmann, an executive vice president of Union Bank of Switzerland, is to join the UBS board next year and will replace Robert Favarger as vice chairman. Heckmann's job as head of corporate and institutional banking will disappear at the end of the year when his division merges with the corporate finance, primary markets and merchant banking divisions under Pierre de Weck, currently in charge of the corporate finance division.

■ Robert Castaigne, 48, has been appointed chief financial officer of Total and joins the five-man executive committee headed by Serge Tchuruk. An engineering graduate of the Institut Industriel du Nord, he has been assistant chief financial officer since 1990.

OPENINGS

NATIONAL THEATRE
Tennessee Williams's *Sweet Bird of Youth*, directed by Richard Eyre, opens on Thursday. Eyre staged Williams's *The Night of the Iguana* at the National in 1992, and directed BBC2's 1993 account of his *Suddenly Last Summer*. For Eyre, who has been recently accused of Europhobia in his choice of foreign repertory for the National, this is his second American play running; the last one, *Johnny on a Spot*, received few compliments. In *Sweet Bird of Youth*, Clare Higgins plays the film star Alexandra del Lago; Richard Pasco is the tyrannical Boss Finley.

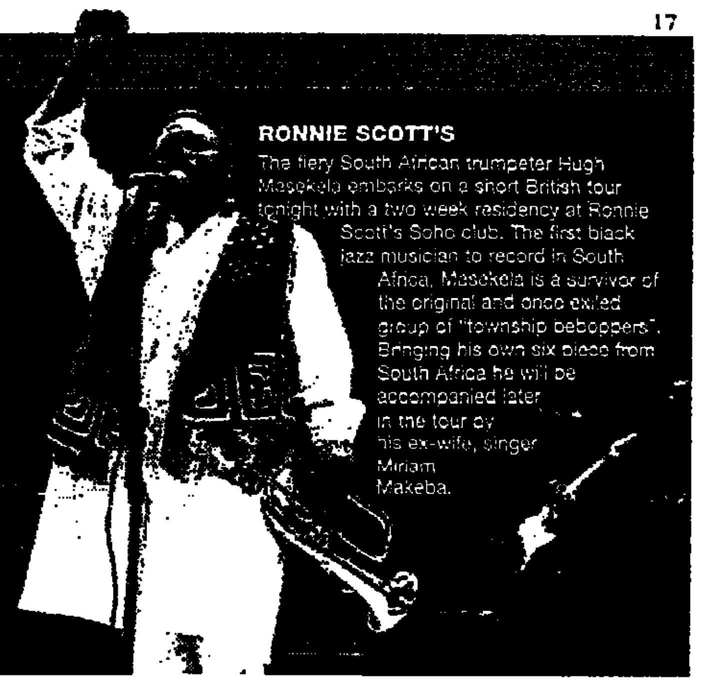
ROYAL OPERA HOUSE
The remarkably versatile Cheryl Studer (below) comes to London on Thursday to sing the title-role in *Aida* at Covent Garden. The producer is Elijah Moshinsky and the conductor Edward Downes, each of whom has proved a safe pair of hands with Verdi in the past. The cast also includes Luciana d'Intino, Dennis O'Neill and Silvano Carroli.



SCHUBERTIADE
The cream of the world's Schubert interpreters gather at Feldkirch in eastern Austria over the next fortnight for a rarified festival of recitals and chamber music evenings. The opening concert tonight is given by the Alban Berg Quartet. Other visitors include Alfred Brendel, Andras Schiff, Peter Schreier and Anne Sofie von Otter.

RAVINIA FESTIVAL
The summer music festival at Highland Park outside Chicago opens on Thursday with the first of six jazz concerts featuring the Count Basie Orchestra, Wynton Marsalis, Cleo Laine (below) and Dave Brubeck. The Chicago Symphony Orchestra then takes up residence for eight weeks, with soloists including Hermann Prey, Midori, Gidon Kremer and Shura Cherkassky. Apart from the music, Ravinia's assets are its informal country air and quick transport links with downtown Chicago.

TATE GALLERY
R.B.Kitaj is an American who came to England in the late 1950s, under the provisions of the G.I. Bill, to study painting. He has remained here ever since. At the Royal College in London his contemporaries were David Hockney, Allen Jones and Derek Boshier and their friends in the glory-days of "Pop goes the Easel". Kitaj remains his own man, and his work gives the lie to the thought that the tradition of the ambitious figure composition, dense with implication, was ever irrelevant or moribund. Shows of recent work and prints are already open at Marlborough Fine Art and the V.& A. The full retrospective, which opens at the Tate on Thursday, is many years overdue.



RONNIE SCOTT'S
The fiery South African trumpeter Hugh Masekela embarks on a short British tour tonight with a two week residency at Ronnie Scott's Soho club. The first black jazz musician to record in South Africa, Masekela is a survivor of the original and once exiled group of "township beboppers". Bringing his own six piece from South Africa he will be accompanied later in the tour by his ex-wife, singer Miriam Makeba.

Britain's lost ballerinas

Anachronistic teaching threatens our classical dance, reports Clement Crisp

Many are called but few are chosen. Children take up ballet, thrilled by what they may have seen in theatre or on television: in its day, *The Red Shoes* did more to inspire young dancers than anything since Anna Pavlova's world tours. And ballet-training is fine for the young, encouraging a physical co-ordination which can promote a mental discipline no less beneficial.

But a career as a dancer in a classical ballet company is vastly different. The combined rigours of a religious order and Olympic training are comparable: I do not suppose that either contains quite such obsessive concern with the minutiae of means, nor such chance of failure.

And yet, despite the implicit hardships, young people decide to try for that short – often over by the thirties – and far from heady life in ballet. A recent audition for English National Ballet attracted 500, mostly British, aspirants. After a first weeding-out, just over 100 remained, and of these Derek Deane, ENB's artistic director, and his panel of teachers, found not one dancer suitable for the demands of a company that gives 200 performances a year. Shock Horror, of course, because Deane has made public issue of a matter which he believes to have serious implications for his company and hence for the future of ballet in Britain.

He has been obliged to look to artists in Italy, France and America for the forthcoming London seasons at the Coliseum and Royal Festival Hall. Deane's argument, which has caused some much-needed flutterings in ballet's dovecots where the birds seem unwilling to stretch their wings, concerns a lack of serious grounding, even of a will to compete in classic ballet.

Technical standards are higher today and, as Deane notes, "British teachers don't always take this into account. Dancers are athletes – aesthetic athletes, maybe, but athletes nonetheless – and training must always bear this in mind. About half the dancers I took into the company last year needed re-training so that they did not become injured. With our heavy work-load, we must have dancers whose physique and abilities can sustain a very demanding schedule of performance."

The other problem is psychological rather than physiological. "Apprentice dancers in this country also seem shy of ambition, of drive. These are not qualities of the British temperament. But look at the dancers of the Paris Opéra Ballet, sustained by the brilliance of their technical training, or consider the American attitude towards dancing with its 'make or break' belief that one must use one's abilities to the best, or quit."

Ballet training responds to a national ideal. In the Soviet Union, dance reflected the demands of the new socialist aesthetic, it was powerful and yea-saying yet with enormous respect for the great classical past. American ballet mirrored a faster, more acute and energetic culture. By contrast, ballet in Britain now seems underpowered.

Over the past decades I have reported with unfailing admiration on the Paris Opéra troupe – the evenings given by Jeunes Danseurs, the Opéra School performances, pinpoint those qualities of professional gloss and security Deane seeks. In America, New York City Ballet and its School of American Ballet are the exemplars of brightest skill. Balanchine once said that he might be "remembered as a teacher". The training he initiated and supervised sought (and found) ideals of clarity, speed, musical acuity, which are as much part of his genius as his choreography. To dancers in class who were not driving themselves hard, he would say: "What are you saving yourself for?"

Deane has noted a weakness of the "English" style in ballet nowadays. The former virtues of classic harmony, ease, have waned. The English manner was formed under the guidance of Dame Ninette de Valois, whose school and company were the mainspring of British ballet from the 1930s onwards. She fostered a style that was elegant, modest and expressive. But it has not grown with recent years. British dancers now acquire a mixed baggage of influences from teachers of different schools. Identity seems unclear.

Internationally, there is now a greater emphasis on physical brilliance in ballet. The arrival of the Bolshoi Ballet in 1955 opened our eyes to a more exultant way of dancing. Developments since then have encouraged audiences to ask for greater and more extreme muscular expression from dancers. Some choreographers make much more searchingly physical, and perhaps athletic, demands on their interpreters than in the past. Virtuosity is something audiences always adore and it is not always provided by British dancers.

Comparison with Russia suggests how vital is a coherent system of training. The schooling shaped by Agrippina Vaganova, the accepted means for ballet training since Soviet times, from earliest steps to last professional days, endows the body with exceptional wisdom as well as dignity and physical power. It explains every movement, justifies every step. A Russian ballerina, working with ENB a few years ago, said to me: "Vaganova taught us how to dance. The girls I see here in class have to learn for themselves."

Deane's associated concern is with the absence of sufficient financial support – through grants, funding – for dance training. For a child seeking a professional dance career, expense can be prohibitive if grants are not available. A two year course at the ENB's own recently established school, for example, costs £30,000. At the Royal Ballet School, our leading school of classical ballet training, a two year course costs £16,446. Inevitably many promising pupils are lost at the financial hurdle.

But, Deane insists, problems really begin at the start of a professional career "It is a completely different way of life. You are on your own, and if you don't have a solid basis of serious work in your body, then you are in deep trouble."

"Is dancing difficult?" I once asked Natalya Makarova. "Oh yes. Very difficult indeed", was the answer. If it is to be any good, it must be difficult, as every dancer knows. Not to provide classical dancers – extraordinary, dedicated beings – with the best skills, and the ability to use them, is to diminish them, and the art they serve. Deane's comments must be heeded.

English National Ballet will be appearing at the Coliseum from July 25; and at the Royal Festival Hall from August 2

Ballet teaching reflects a national ideal. Have we got the classical dance we deserve? The film that launched a thousand *pliés*: Moira Shearer (far left) and Ludmilla Tcherina in The Red Shoes (1948). Today, outmoded teaching, a failure of will and lack of subsidy means British dancers are losing out, says Derek Deane (left) artistic director of English National Ballet

Aldeburgh Festival

The rivalry that stimulates

Although they were two of the leading composers of their day, Britten and Stravinsky only exchanged passing glances. A degree of rivalry is evident on both sides, culminating in Stravinsky's comment about Britten's *War Requiem* that he could hardly hear the music for the "Battle of Britten" chorus of applause from British critics.

The Aldeburgh Festival has chosen Britten and Stravinsky as this year's theme. Besides featuring major 20th-century figures who draw audiences, the pairing affords intellectual stimulation. The post-war period found the two composers responding to musical trends in very different ways and yet they so often trod the same ground. Stravinsky himself commented grudgingly, "I seem to have shared too many titles and subjects with Mr Britten."

At Friday's opening concert both composers had to be featured. As the Stravinsky item Aldeburgh chose *The Flood*, one of the larger scores from the composer's neglected later years. This is one of the subjects where the composers overlap, although the concert (perhaps wisely) did not allow a direct comparison: Britten's *Noye's Fludde* is scheduled to be heard later in the festival.

The Stravinsky has generally been thought a lapse from his usual rigorously high standards. It was written for television, and a desire for popular approval (something he envied Britten) may have led to a softening of his gritty intellect. The story of the flood and Noah's ark – taken in part, like Britten's, from a Chester miracle play – is told in fast narrative style, with some wit and copious knowledgeable references for the observant, yet these favourite Stravinsky traits have been reduced to a lowest common denominator appeal.

The Flood is difficult to classify. It was staged during Stravinsky's lifetime (as part opera, part ballet, part play with music) but at Aldeburgh was given simply as a concert performance. Oliver Knussen conducted the BBC Symphony Orchestra, crucially making sure all the words could be heard, both from the soloists and the chorus. The story flashes past as though in a strip cartoon. One wonders how there would be time to take in visual distractions as well.

On either side we had two pieces of music for the dead: Mahler's *Todtenfeier* (the first version of the opening movement of his Second Symphony) and Britten's *Sinfonia da Requiem* – another clever pairing which threw up other connections, other resonances. The festival promises more imaginatively-planned concerts in the same vein.

Richard Fairman

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS
Philharmonie Mariss Jansons conducts the Berlin Philharmonic Orchestra tomorrow, Wed and Thurs in works by Weber, Szymanowski and Dvorak, with violin soloist Daniel Stabrawa. Jansons also conducts a popular concert at the Waldbühne on Sun (2548 8132). Uwe Gronostay conducts the Berlin Radio Symphony Orchestra and Philharmonic Chorus on Sat in Janacek's Glagolitic Mass and Kodaly's Te Deum (229 8413)
Schauspielhaus Eliahu Inbal conducts the Berlin Symphony Orchestra on Thurs, Fri and Sat in works by Kodaly, Chopin and Musorgsky/Ravel, with piano soloist Peter Rösel. Heinz Rögner conducts the Berlin Radio Orchestra on Sun in Brahms, Respighi and Reger (2090 2156)

OPERA/DANCE
Deutschlandhalle Steven Pimlott's arena production of Carmen, conducted by Jacques Delacôte, opens on Fri and runs daily till June 23 with changing casts including Agnes Baltsa/Denyce Graves, José Carreras/Mario Malagnini and Simon Estes (3038 4444)
Deutsche Oper A new contemporary dance programme, featuring works by New York choreographers Meg Stuart, Molissa Fenley and Karole Armitage, can be seen on Wed and Sat. This week's repertory also includes Tosca, Don Carlo, Aida and Meistersinger (341 0249)
Staatsoper unter den Linden The Michael Gielen/Ruth Berghaus production of Pelléas et Mélisande is revived on Sun (repeated June 25, 28). Repertory also includes Tosca, Salome and Die Zauberflöte. Felicity Lott and Ann Murray give a song recital next Tues (200 4762/ 2035 4494)

■ NEW YORK

THEATRE
● Broken Glass: set in New York in 1938, Arthur Miller's latest play is a short, discursive and compelling study of paralysis in the face of crisis (Booth, 222 West 45th St, 239 6200)
● Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200)
● Medea: Diana Rigg gives a magnetic performance in this production of Euripides' tragedy, an import from London's Almeida Theatre directed by Jonathan Kent. Till June 26 (Longacre, 220 West 48th St, 239 6200)
● All in the Timing: six sparkling short plays by David Ives add up to one enchanted evening (John Houseman, 450 West 42nd St, 239 6200)
● Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)
● Four Dogs and a Bone: John Patrick Shanley's satiric comedy about movie-making and power plays in Hollywood (Lucille Lortel, 121 Christopher St, 924 8782)
● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)
● An Inspector Calls: J.B. Priestley's 1947 mystery thriller in an award-winning production from Britain's National Theatre, directed by Stephen Daldry (Royale, 242 West 45th St, 239 6200)
● She Loves Me: the 1963 Bock, Harnick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)
● Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)

DANCE/MUSIC
State Theater New York City Ballet's Spring season runs daily except Mon till June 26. This week's programme includes Balanchine's Mozartiana, Peter Martins' Barber Violin Concerto and Kevin O'Day's new work for the company's Diamond Project (870 5570)
Carnegie Hall The Solti Orchestra Project, a professional training workshop, gives a concert tonight under Georg Solti, featuring Wagner's Meistersinger overture and symphonies by Shostakovich and Beethoven. A second concert will be given next Tues (247 7800)

JAZZ/CABARET
● Horace Silver and the Silver Brass Ensemble open an engagement tomorrow at the Blue Note (131 West 3rd St near Sixth Ave, 475 8592)
● Vernal Bagneris offers a substantial tribute to Jelly Roll Morton at Michael's Pub, where Woody Allen continues his job as clarinet player every Monday (211 East 55th St, 758 2272)
● Bobby Short, singer and showman, is in residence at Carlyle Hotel, giving royal treatment to gems by Gershwin, Ellington, Berlin and Cole Porter (Madison Ave at 76th St, 744 1600)
● Maureen McGovern, longtime exponent of swing-era music, presents a programme of classic World War Two songs at the Rainbow & Stars, daily till Sat (30 Rockefeller Plaza, 632 5000)

■ PARIS

DANCE
Palais Garnier Paris Opera Ballet is currently showing two programmes of 20th century classics. The first, consisting of Harald Lander's Etudes (1952), Jerome Robbins' In the Night (1970) and William Forsythe's In the Middle (1987), ends its current run on Sat and next Tues. The second programme, comprising works by Antony Tudor, Paul Taylor and Kenneth MacMillan, opens on Fri and runs till June 28. The Nureyev production of La Bayadère has a two-week run at the Bastille opening on June 29 (4742 5371)
Théâtre de la Ville Lyon Opera Ballet is in residence this week with two programmes: Maguy Marin's production of Coppelia and an American evening comprising works by Bill T. Jones and Stephen Petronio. June 25-30: Compagnie Philippe Genty (4274 2277)

OPERA
Opéra Bastille Final performances of Tosca, staged by Werner Schroeter and conducted by Spiros Argiris, are tonight and Fri, with Galina Kalinina, Giacomo Aragall and Sergei Leiferkus/Jean-Philippe Lafont. Carmen is revived on Sat for a month-long run, with changing casts led by Marta Senn/Kathryn Harries, Sergey Larin/Alberto Cupido and Alain Vernhes/Gino Quilico. Jose-Luis Gomez's staging is conducted by Serge Baudo/Cyril Diederich (4473 1300). The Paris Opera School presents a staged performance of Poulenc's Dialogues des Carmelites at Palais Garnier on Sun (4742 5371)
Opéra Comique Roberto Alagna and Nuccia Focile sing the title roles in Gounod's Roméo et Juliette in a production conducted by Michel Plasson, opening on Jun 24 for eight performances (4286 8883)
Châtelet A new production of Wagner's Ring, staged by Pierre Strosser and conducted by Jeffrey Tate, opens with Das Rheingold on June 25 (repeated June 29, July 2) and Die Walküre on June 26 (repeated June 30, July 3). The final two parts of the cycle will follow in October (4028 2840)

CONCERTS
Théâtre des Champs-Elysées Tonight: Jean-Claude Casadesus conducts Orchestre National de Lille in works by Prokofiev and Brahms, with mezzo Ewa Podles. Tomorrow: Philippe Herreweghe conducts Orchestre des Champs-Elysées in Beethoven, Berlioz and Mendelssohn (4952 5050)
Salle Pleyel Tomorrow: Vladimir Ashkenazy piano recital. Wed, Thurs: Lawrence Foster conducts Orchestre de Paris in works by Berlioz, Mendelssohn and Enescu, with piano soloist Moura Lympany. June 21: Maurizio Pollini (4561 0630)
Basilique de Saint-Denis Tomorrow: John Nelson conducts Strasbourg Philharmonic Orchestra in opening concert of Saint-Denis Festival, with soloists Juliet Booth and Yuri Bashmet. Sat: Dmitri Hvorostovsky. June 22: Rostropovich conducts Britten's War Requiem. June 23: Teresa Berganza. June 26 and 28: José van Dam (4813 1212)

JAZZ/CABARET
T.S. Monk, son of Thelonious, is in residence this week and next at Lionel Hampton Jazz Club. Music from 10.30 pm to 2 am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

ARTS GUIDE
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Samuel Britton

Beware Ivy League, central bankers

Last week's central banking symposium organised by the Bank of England was attended by central bankers from 128 countries. The overt themes of the conference were central bank independence, low or zero inflation and how to achieve it. But there was a subtext, which reflected more nearly the main concerns of the most important bankers present, but which was almost entirely absent from the conference papers. This was whether it was enough just to concentrate on restraining consumer prices, or whether the bubbles which rise up and burst in the capital markets also need attention.

There was a justified scepticism about returning to capital market controls. Direct intervention in markets for long-term assets obviously did not appeal either. This left open only one option within the prevailing framework. This was to take into account in monetary policy decisions, not only consumer or product prices, but bond prices and even equities and real estate as well.

What would be the purpose of the whole operation? One justification might be that large surges in asset prices will ultimately destabilise product prices if allowed to go too far. But the real reason that central bankers lose sleep is different. It is a fear that a slump in asset markets will one day threaten the solvency of large banks whom they will have to bail out as a result, as in the case of Continental Illinois.

There are also grounds for anxiety about the way in which central bankers have become dependent on academic economists of the mainstream US Ivy League variety.

An example occurred in the conference paper, *Modern Central Banking*, by Professor Stanley Fischer of the Massachusetts Institute of Technology, who is soon to become an assistant managing director of the International Monetary Fund. I refer to his strong preference for a target for inflation over a target for the price level.

An inflation target means that any upward overshoot in inflation above the target range is not corrected. Bygones are treated as bygones and the price level base from which future inflation is estimated drifts upwards. The difference between the two is shown in the chart. With an inflation objective, a series of modest unavoidable errors pushes the price level up over some decades to a level four or five times as high as at the starting point.

Fischer admits that with his preferred inflation objective, the price level would not be predictable over generations. So Alan Greenspan's definition of stable prices as a state in which inflation did not enter significantly into business decisions would be violated.

Fischer's reason for accepting this fault is his extreme fear of the deflationary episodes that would be required to correct overshooting, if a target for prices, rather than their rate of change, was adopted. Assuming that central bankers tried to correct half of any error in the ensuing year output and employment could fluctuate violently.

This interpretation is a travesty of what price stability meant when we had it. The author himself mentions that the same level of prices prevailed in Britain in 1844, in 1881 and in 1914 under the gold standard. But that standard did not mean that the Bank of England had to reverse any rise in prices over the horizon of a short-term forecasting model.

There were several years at a time in which prices rose or fell; and over the century as a whole, prices ranged between 70 and 130 (taking 100 as a price index for the years just mentioned). Price stability meant that looking ahead prices were as likely to fall as rise; and that the best bet in long-term planning was that a pound in 30 years' time would be the same kind of measure as a pound today.

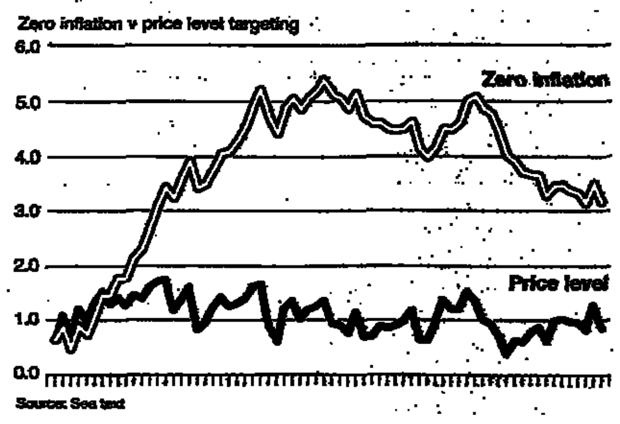
The result was due to a policy regime, based on the ultimate convertibility of notes and deposits into gold. It did not depend on having and manipulating a model purporting to show how to manage output and prices over the next few quarters.

What is the moral? Economics as taught in the US East Coast universities of the United States is not to be written off as necessarily wrong or bogus. But it does need to be treated with scepticism.

Mainstream North American economics is more like the speculations of physicists on the origins of the universe or the nature of time than the kind of physics used in splitting atoms or launching rockets.

Price level

Zero inflation v price level targeting



Source: See text

Mid-life change for insurers

Recent takeovers show how the European industry is preparing for liberalisation, says **Richard Lapper**

Casual observers might get the impression that European insurers are in the grip of takeover fever. Commercial Union's announcement last week that it is poised to buy France's sixth biggest life insurer, Groupe Victoire, for some FFr12.5bn (£1.45bn), is the latest in a recent flurry of deals. It is also a further example of consolidation as the industry prepares to adapt to a new and more liberal regulatory regime.

By the beginning of next month, European Union member states must implement new legislation which completes the deregulation of their markets. And as Europe emerges from recession, insurers appear to be becoming increasingly acquisitive as they prepare for the competition which will result.

In January, Switzerland's Winterthur bought one of Germany's biggest insurers, DBV, for an estimated DM900m (£360m). Last autumn, Victoire's owners, Compagnie de Suez, the French financial conglomerate, sold off Victoire's Germany subsidiary in a deal worth FFr20bn to France's Union des Assurances de Paris.

And in March 1993, Sun Alliance, one of Commercial Union's UK rivals, became the biggest insurer in Denmark when it paid Kr1.27bn (£129m) to buy the business of Hafnia, a company pushed into receivership after an unsuccessful effort to expand.

Commercial Union's foray, to be financed through a mixture of debt, cash and equity, is the most significant European acquisition by a UK insurer for 20 years and one of the biggest acquisitions of a French company by any UK business.

Commercial Union has long harboured European ambitions – it acquired its Dutch subsidiary in 1973. But for the UK insurance industry as a whole – which has traditionally focused overseas activities in the United States and other English-speaking territories – the deal marks a change in direction.

"Europe is our home market from which we seek to expand," explains Mr Tony Wyand, Commercial Union's finance director. "A lot of people at the political level approach Europe with ingrained suspicion. But more and more business people regard the Continent as a significant opportunity to increase profitability."

Although the acquisition will leapfrog Commercial Union into the European industry's "premier league", Mr Wyand suggests that many of the benefits stemming from economies of scale will emerge only in the longer term.

To a degree its timing – just three weeks before the 1 July deadline – is coincidental and Commercial Union's approach to the deal, painstakingly negotiated over the last three to four months, reflects the adoption of a more realistic attitude to European expansion by many companies.

First, it is becoming clear that despite the achievement of a liberal market framework the development of a genuine single European insurance market could be a slow process.

By July 1 European Union member states must implement new rules which allow insurers licensed in any state to trade throughout the union. Price control and rules giving local regulators control over the types of insurance policies available must be abolished.

But in practice most European markets are already liberalised in these respects. Price control, *effectively limited* to motor liability insurance, has disappeared in most EU countries – except Germany, Italy and some smaller markets. Across the Continent, in line with long-established UK practice, the focus of regulation is on ensuring the financial health or solvency of insurance companies.

At the same time the EU directives will have no impact on a range of other factors which are likely to restrict cross-border competition, especially insofar as the needs of individual consumers – rather than corporate buyers – are concerned.

Europe's biggest insurers, such as Italy's Generali, Germany's Allianz and France's UAP, dominate their local markets partially because the agents who sell their products exclusively tend to enjoy high degrees of customer loyalty.

Tax rules vary sharply between different states and are unaffected by the new legislation. Differences in tax treatment have a crucial impact on the life insurance market, where sales are often driven by tax advantages. Although British life insurance policies frequently produce better returns for policyholders, this is sometimes at the expense of higher risk and volatility to which consumers in France and Germany have proved to be averse.

In addition, local regulators will continue to enjoy some power, and could restrict the extent to which overseas companies can compete. In particular, they can limit the freedoms of companies whose policies are deemed to conflict with a legal principle known as the "general good".

There are fears, for example, that some regulators could limit the ability of insurers to vary the premium rates charged to customers on the grounds that such moves would be discriminatory, for groups such as ethnic minorities.

Second, it is partially the problems created by an over-hasty approach to European expansion which have given Commercial Union its current opportunity to expand. Many observers believe companies – such as Suez – paid too much to build their European operations in the late 1980s, in preparation for the first phase of single market regulation. Rules lifting restrictions on cross-border trade in large commercial risks – the so-called second non-life directive – were implemented by member states in 1990.

Suez itself was unable to sustain its aggressive European strategy after acquiring the Victoire group in a takeover valued at FFr27.4bn in 1989. Denmark's Hafnia was pushed into receivership and Norway's Uni Storebrand forced to restructure after launching a joint plan to take over Sweden's Skandia, with the goal of creating a Scandinavian insurance giant capable of competing with its larger European rivals.

A number of other companies made smaller, less ambitious, acquisitions in a bid to establish a toehold. But few of these deals brought lasting benefits and some, such as Guardian Royal Exchange's acquisition of an Italian motor insurance company, left buyers with heavy losses.

"A decade ago the major companies were desperate to establish their toehold in Europe. This quest typically resulted in making an exorbitantly priced, though not necessarily large, acquisition in one of the fast-growing southern European markets," says Mr Michael Huttner, analyst with BZW, the securities house.

"Over the last few years there has been a definite change in approach," says Mr Huttner, who believes insurers are much more likely to consider alternatives to acquisition. The success of direct telephone sales in the UK has spurred a number of companies to set up new operations in other EU states as an alternative to purchase.

Winterthur, which owns the second biggest telephone insurer in the UK, Churchill, recently set up another operation in Denmark, for example, while its Swiss rival, Zurich Insurance, announced its intention earlier this month to set up a new telephone insurer in Switzerland, which it intends to extend throughout Europe.

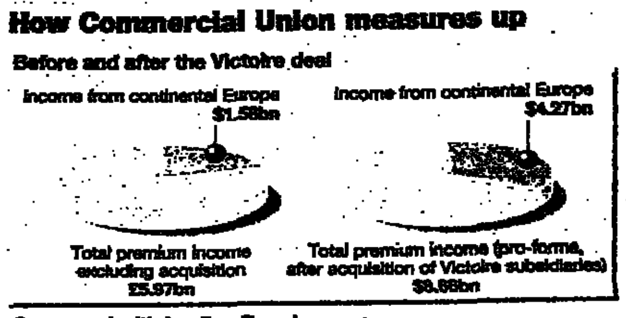
Mr Wyand, who is part of the management team which has led Commercial Union's recovery since its disastrous US losses in the early and mid-1980s, is anxious to downplay any accusations of hubris.

"This is a strategic decision taken without regard to premium volume," he explains. Five years ago, companies typically paid prices equal to twice the annual premium income of the businesses they acquired.

By contrast, Commercial Union has a bargain paying Suez a price equal to about half Victoire's annual premiums. "Size is the consequence of success not the cause. We have obtained critical mass at a price we believe is economic," Mr Wyand insists.

How Commercial Union measures up

Before and after the Victoire deal



Compared with leading Euro insurers
(1993 actual or estimated premium income)

		£ billion
Allianz	Germany	25.6
UAP [1]	France	19.0
Swiss Re	Switzerland	11.7
Zurich	Switzerland	11.6
Axa	France	11.4
BAT (Includes premium income of Farmers Exchanges plus Eagle Star and Allied Dunbar)	UK	10.4
Munich Re	Germany	10.2
Generali	Italy	10.1
Prudential	UK	9.8
Winterthur [2]	Switzerland	9.3
Commercial Union [3]	UK	8.7
AGF	France	7.8

0 5 10 15 20 25 30

[1] Pro forma after Colonia acquisition
[2] Pro forma after DBV acquisition
[3] Pro forma after Victoire acquisition

Source: BZW Securities; FT

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Objectivity and less rhetoric

From R K Essex.

Sir, "Europe looms small in UK voters' eyes" (June 8) is a worthy article headline but I really must take issue with some of the rhetoric used.

"Mr Major's dismal domestic record", "a painfully slow economic recovery" and "the largest tax increases in recent memory" are more in tune with the Daily Mirror. Since the first comment is non-specific one should concentrate on the latter two.

Over the past 18 months all successive forecasts of economic growth have been revised upwards and the latest industrial output data, released on June 8, indicate something akin to a boom.

Unemployment has been falling for most of the past 15 months and nobody predicted that. Not, I would respectfully suggest, circumstances synonymous with painfully slow economic growth.

On personal taxation, fiscal policy has indeed been unexpectedly tightened and the media has certainly concentrated the public's minds on that.

But why no mention of the monetary loosening and who at the time of the last election would have predicted base rates at 5.25 per cent two years hence? A little more objective reporting, please.

R K Essex,
23 Adel Green,
Adel, Leeds LS16 8JX

R&D: the crucial distinction

From Mr David Damant.

Sir, Dr Mulvey of The Save British Science Society (Letters, June 9) and others concerned with the question of the financing of research and development, must make a crucial distinction: between the views taken by investors through the pricing of shares on the stock exchange, and what company managements believe the views of investors to be and what the stock exchange does.

Many company directors are convinced that the stock exchange takes short-term views. They may therefore take actions on that assumption, for example to restrict R&D expenditure, which can lead to unfortunate consequences for the UK. But evidence on the stock exchange itself is that long-term prospects, and the virtues of R&D expenditure (when properly explained, which is an important point), are in fact compounded in stock exchange pricing mechanisms; the evidence is very much in that direction, although not completely so. Anyway, the stock exchange is a rational place.

The solution to this problem is not for the government to act on false assumptions by taking (almost by definition) inappropriate actions. The correct response is to educate management and others in the efficient market theory. But how can this be done?

The academic work on this subject is vast, based on papers which have won a Nobel Prize. Yet, for example, the Commons trade and industry committee concluded that "research indicates that the stock market undervalues long-term investment" on the basis of one academic paper alone. How many parties to this debate can articulate the possible defects in the capital asset pricing model?

This is a difficult and in some ways a non-intuitive subject. But it is irresponsible to come to conclusions without reading and discussing the great mass of statistical and logical evidence.

There may, of course, be macro-economic reasons why industrial investment should be planned on a short-term basis and high dividends paid out. That may be an even more important subject for discussion.

David Damant,
Beaufort House,
15 St Botolph Street,
London EC3A 7JJ

Keyboard configured by design not chance

From D J Paul.

Sir, The true moral of the QWERTY keyboard is rather different from that supposed by Michael Prowse (Book Review, June 9). The QWERTY keyboard and its equivalents in other languages were carefully contrived to minimise key-jamming on early mechanical typewriters, both by slowing typists down and by avoiding the need to use neighbouring keys consecutively. The QWERTY keyboard did not therefore arise by chance. It is an example of the way solutions tend to outlive problems they were devised to overcome, thereby becoming problems themselves.

D J Paul,
5 Aldermary Road,
Bromley, Kent BR1 3PH

It's right to emulate where the action is

From Mr Roger Woolfe.

Sir, Robert Bischof's Eurocentric view misses the point (Personal View, June 10). Yes, the UK "is so often in a minority of one in Europe". But Britain's economic and social policies are not out of line with those of North America, and not far different from the industrialised countries of Asia Pacific. That is where the action and the growth is taking place, Mr Bischof, not Europe. Britain's attitude is not a sign of being wrong. It is a sign of being right.

Roger Woolfe,
Torenlaan 23,
1261 GA, Blaricum,
The Netherlands

Denmark more than just an 'ally' in fight against EU fraud

From Marianne Jelved.

Sir, I was pleased that the FT showed interest in the serious problem that fraudulent use of Community funds constitutes with your article, "A labyrinth of loopholes" (May 19). As more and more resources are being administered through the Community budget, the potential scale of the fraud increases. The removal of internal frontiers with the creation of the Single Market also poses new challenges in the fight against fraud.

However, the article needs some correction. It says concern about fraud is most strongly felt in Germany, which has found allies in the Netherlands, Denmark and the UK.

In my opinion Denmark has been more than just an ally. Denmark has played a very active role in enhancing the focus on the war against EU fraud. The protection of the financial interests of the Community was spelled out by the Copenhagen European Council in June 1993 when it asked the Commission to present a strategic programme for reinforcing the fight against fraud by March 1994.

In addition, the Danish government published a note, "The Community Budget and Fraud", before the Ecofin council meeting in May this year. In this note we suggest important additional elements to the Commission's anti-fraud strategy. The note proposed speeding up member states' reaction to the Commission's requests for control visits; the use of as precise and targeted instruments as possible; and the development of systems to analyse the results of various anti-fraud activities.

In addition, the note proposed more publicity to fight against fraud; and use by member states of more common standards of control. The Commission's control and auditing teams should to a larger extent be able to draw on national audits in connection with EU control visits in member states. And it is necessary also to focus on the problem that the country where the fraud is committed is often not the same as the country of which the swindler is a resident.

The Danish attitude is not only governed by economic interest. Misuse of public funds runs counter to vital principles of openness and democratic control. The fight against fraud is thus of utmost importance for the image of the Community with our populations.

Marianne Jelved,
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FINANCIAL TIMES
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Monday June 13 1994

Europe slips to the east

The European Union looks better from outside than from inside, to judge by the events of the last week.

Inside, the fourth direct election of a European parliament stirred little positive enthusiasm, and was treated in most countries as a chance to protest against incumbent governments. One might think that a visiting US president, coming from a world power whose economy is growing strongly, with much lower unemployment in spite of steadily increasing productivity, would find little in the EU to admire or encourage. And one might think that a small European country like Austria – which as a member of the European Economic Area already enjoys access to the single market and has weathered the recession better than most – would think twice about choosing this moment to sign up for full membership.

Yet Mr Clinton used his trip to give the EU a ringing endorsement, even in the field of defence from which his predecessors had been anxious to exclude it; and the endorsement given by two-thirds of the Austrian voters perhaps counts for even more, since they have to put their money where their ballot-paper is. If anything should jolt the EU out of its recent despondency it is that, for the first time in 20 years, a country with a higher standard of living than its existing average, and one which will be a net contributor to its budget, has actually decided to join, ignoring attempts to scare it with a veritable barrage of Euro-nightmares from drained reservoirs to floods of poisoned yoghurt. Should the Austrian example be followed by Nordic countries later in the year, January 1 1995 will indeed mark a hopeful new beginning.

Austria's vote

By their vote, the Austrians have already moved the EU in a direction Mr Clinton was urging it to go, namely eastward. In a literal sense, they have moved its eastern frontier from the 15th to the 17th meridian, while waiting for Finland to take it to the 31st. More significantly, while Finland (and indeed Norway) would give it a common border with Russia, Austria gives it one with Slovakia, Hungary, and Slovenia, and brings it within 20 km of Croatia. Austria, even more than Germany and Italy, has felt itself involved in the Yugoslav tragedy, and in proportion to its population has absorbed larger numbers of refugees. Historically, its links are with the Magyars and Slavs of the former Habsburg empire. It will use its membership, without doubt, to incite the EU to play a bigger and more creative role in eastern and south-eastern Europe.

Open markets

That is also where Mr Clinton put his emphasis. In his speech to the French national assembly last Monday he said nothing about the single currency or the single market. Instead he dwelt on "the development of a European defence identity", and on the importance of "a broader Europe", open to the east. He mentioned with particular pleasure that "Nato recently approved an American proposal to allow its assets to be used by the Western European Union" (the EU's "defence component"), and reiterated his call, uttered in Prague last January, for western markets to be open to goods from eastern Europe.

The Austrians would surely agree with the latter point. They may have reservations about the former one. Neutrality, originally imposed on them in 1955 as the price of Soviet withdrawal, has become since the 1970s an important element in their national identity, and their government felt obliged to reassure them, during the referendum campaign, that this status would not be affected. It would have been more honest to say frankly that with the end of the cold war this concept has become an anachronism, that Austria was proposing to join a union with a developing defence identity, and that as the member-state closest to an unstable and war-ravaged part of Europe it would have a stronger interest in that development than any other.

At least the Austrian chancellor, Mr Franz Vranitzky, has said that he contemplates joining the WEU in due course. The next step, not only for Austria but for its new partners, should be to weigh Mr Clinton's words carefully. He is offering to stand by Europe, but only if Europe stands militarily on its own feet.

Mr Blair looks for renewal

Mr Tony Blair is the likely winner of the Labour leadership contest. He is also the most suited to the task. Five candidates have presented themselves. It is striking that four of them, all improbable victors, are from the left of the party. Mr Denzil Davies and Mr Ken Livingstone are mavericks. The weightier pair, Mrs Margaret Beckett and Mr John Prescott, have put themselves down for deputy as well as leader, a prudent insurance against losing the real prize, since neither is possessed of the leadership qualities the party needs. Mrs Beckett has proved her credentials as a competent administrator, a reliable second-in-command, but that may be all she has to offer. Mr Prescott is the voice of Labour's past.

It is therefore hardly surprising that half the parliamentary party and the overwhelming majority of the shadow cabinet have declared their support for Mr Blair. The two other thirds of the party's internal electorate – its members in trade unions and its members at large – have yet to be consulted, but the general expectation is that they will follow the pattern set by their elected representatives. They will vote for Mr Blair if they want Labour to win.

Some will do so with misgivings. At 41 his inexperience will be called in evidence against him, but his very newness is also an asset. As he showed in his interview with the Financial Times on Saturday, he has mastered a coherent set of generalisations within which a credible Labour policy might be developed. He has given the pro-market thinking of the 1980s an overlay of social responsibility, affirming that the individual and community strengthen one another. He has captured the theme of family values from the Conservatives. To call this "renewal" may strike a chord with the electorate.

Freedom to reposition

This gives Mr Blair a freedom to reposition his party that his predecessors lacked. "It is positively in the public interest to have a dynamic market economy," he told the FT. Echoing President Clinton, he tackled another logjam of left-wing thinking with: "We want a nation at work and not a nation on benefit." As to state ownership, he said that "most people would not regard it as a sensible expenditure of money . . . that you renationalise the water industry". He defined full employment in the careful words of the 1944 white paper.

Radical moderniser

Astutely put as they are, such statements merely set a tone; there is room within them for Mr Blair to be the radical moderniser Labour needs, but there is also room for fudge and muddle. Mr Blair evokes a sense of mission, but he cannot rest on that. Before long he will have to provide specific answers to questions about Labour policy. Having grown up during the Thatcher ascendancy, Mr Blair is aware that the greatest British politician of his own lifetime approached her first election victory, in 1979, in comparable political circumstances. Mrs Thatcher resolutely avoided specific commitments, preferring to speak about values and principles. In present circumstances, Mr Blair would be unwise to regard this as a sufficient approach.

The late Mr John Smith believed in keeping quiet while the Conservatives tore themselves apart; had he lived he would have focused on policy at the October 1995 party conference, in readiness for an election the following year. Mr Blair should begin to fill in the blanks well before that, between now and this year's conference. The list of gaps is large: strategic clarity on Europe, a sense of what he means by modernising the welfare state, an indication of where Labour proposes to draw the boundaries between public and private enterprise. His declaration of support for a dynamic market economy is meaningless unless he shows that he knows what it would take to sustain it.

Leadership may be about broad perspectives and aspirations. Mr Blair is showing himself skilled at offering them. But in the post-Communist world there are no single ideological solutions. Specific, often technical, policies are required. The new Labour leader must use the crest of the wave on which he is now riding to drive his party's thinking forward. He must show soon that his leadership will involve believable social, economic and fiscal strategies. Without them the present expectant mood could quickly change.

Herculean task for UK defenders

Bernard Gray on the US-European contest to supply the RAF's new generation of transport aircraft

Mr Malcolm Rifkind, the UK defence secretary, is to make one of his most painful public announcements next month when he outlines to parliament the latest series of cuts in the armed forces. The ministry's review of defence spending, code-named Front-Line First, will probably conclude that bases should be closed, services privatised, and about 20,000 jobs lost, many from RAF support staff.

To sweeten the pill Mr Rifkind can announce some new military equipment orders. The Army may get up to 250 Challenger II tanks, the Navy its latest batch of three Type 23 frigates and the Royal Air Force a substantial updating of its Tornado aircraft.

But the result of one procurement decision is unlikely to be welcomed by all sides of the UK defence industry. The race to replace half of the RAF's ageing fleet of 60 Hercules transport aircraft is being run between US and European competitors. Both sides have British partners, both badly want to win.

Lockheed, the US manufacturer of the Hercules, is vying with a European group, which will operate under the aegis of the Airbus consortium and includes British Aerospace, to supply the new generation of transport aircraft. Lockheed says it can provide the RAF with a first batch of 30 of the latest generation of Hercules, called the C130J, at an attractive price. Starting in 1996 the C130J will be available "off-the-shelf". Lockheed says it will have none of the unexpected development costs and uncertainties which often dog new aircraft.

British engineering companies such as Dowty and Lucas have won 12 per cent of the work on the C130J in open competition against US competitors. According to General Al Hansen, vice-president of Lockheed's air transport programmes: "The C130J is worth £2.2bn to British industry and will secure 3,500 jobs in the UK if we sell 700 aircraft worldwide. Because the RAF is a world-class air force we regard it as very important to secure them as a launch customer for this new generation of Hercules."

Lockheed is trying to make it worthwhile for the RAF to order the C130J. It has offered a discount of about 10 per cent of the £750m-£850m cost of the first 30 aircraft if the RAF is the launch customer. In an unprecedented move, it will take the RAF's old aircraft in part-exchange, provided they can still fly.

While the deal is financially attractive to the RAF, it is not critical to UK participation in the C130J worldwide. Mr Frank Turner, the managing director of Lucas Aerospace, says: "We support the C130J to replace the Hercules. But Lucas was chosen by Lockheed, regardless of UK interest, as the global leader in our field, and we expect to keep our share of the work whatever the UK decides."

British Aerospace acknowledges that its own contender, rather prosaically called the Future Large Aircraft, will not be available until at least 2000. The development costs of the FLA, estimated by BAe at more than £2bn for the consortium as a whole and £500m for the UK, will also need to be met by the purchasing governments.

BAe argues that the FLA will be bigger, faster and more flexible than the C130J. It will be able to transport helicopters, armoured personnel carriers and field guns which the Lockheed aircraft is too small to handle. And while each FLA will cost between £40m and £45m (including development costs) compared with £25m for the C130J, its increased capacity, flexibility and advanced technology will make the total lifetime costs of its fleet lower than Lockheed's equivalent. Mr Dick Evans, BAe's chief executive, says: "The FLA would bring work to the UK worth between £5.5bn and £12bn and secure 7,500 aerospace jobs at the peak of production."

The argument over which aircraft the MoD should choose goes wider than the technical merits of the two transporters. Mr Evans insists that the aircraft's importance to the UK aerospace industry means that "this decision is just too important to be left to the Ministry of Defence". BAe says that if the government opts for the US aircraft, Britain will be forced to withdraw from the FLA programme altogether.

This is because the share of work allocated on European collaborative programmes has depended traditionally on how many aircraft each country decides to buy. Between 250 and 300 FLA are expected to be ordered by the consortium's European partners. But if the UK replaces the first half of its Hercules fleet with the C130J, it will not need the 50 FLA which would ensure Britain a 20 per cent stake in the project.

Decisions are to be made next year on how many FLA each European partner wants. In continental Europe, enthusiasm seems to be running high. Both President François Mitterrand and Chancellor Helmut Kohl stressed their commitment to the FLA at the recent Franco-German summit.

The RAF will select either Lockheed's C-130J (bottom) or the European Future Large Aircraft for its new generation of transport aircraft

Gaining a UK commitment to a 20 per cent share of the aircraft is regarded as important by British Aerospace because that is approximately the amount of work which goes into the aircraft's wings. BAe fears that if it does not build the wings the German aerospace company Dasa will usurp its position. Once Dasa is established as a wing-maker, BAe fears that it will not be able to win its place back in future civil Airbus programmes.

BAe may be over-emphasising its dilemma: the total size of the FLA programme is not yet clear and work-sharing arrangements may be flexible. On the Eurofighter programme, for example, Germany looks likely to order fewer than a quarter of all aircraft, but is trying to hang on to a third of the work.

However, an early decision to buy the new Hercules would be damaging to BAe – and the company has a case for arguing that a decision is being rushed. The MoD has put up a strong fight for an early resolution of the debate: it says the existing Hercules fleet is almost 30 years old and, according to a House of Commons defence committee report, the Hercules' wings, tails, fuel systems and flight deck will all need refurbishment in the next few years if they are to remain in service.

Ageing is also reducing reliability, says the Ministry of Defence, and pushing up maintenance costs. The ministry says each Hercules is only available for 55 per cent of the time now, compared with 65 per cent in 1986. Worse is to come. The MoD estimates that the annual support costs of the fleet will treble by 1998 without a programme of large-scale refurbishment. Thus, for the Ministry of Defence, Lockheed's offer to begin early deliveries has attractions.

But there are doubts about how urgently the aircraft need to be replaced. The House of Commons select committee noted "allegations" that the RAF may be exaggerating the urgency of its requirements; the RAF sees an opportunity to get new aircraft while there is still money available in its equipment budget.

Similarly, the MoD and the Treasury have motives for a quick decision: the ministry is anxious to announce equipment orders to counter the bad publicity over job cuts, and the Treasury regards the C130J as the less expensive option and is attracted by the good terms currently on offer from Lockheed.

To counter such views and participate fully in the FLA programme, BAe must persuade the government to implement its preferred strategy: a minimum refurbishment on the existing Hercules fleet while waiting for the FLA to become available. However that route was described by the House of Commons defence committee as, "prima facie an unattractive option" and it is clear that BAe faces considerable hurdles: it would have to overcome doubts about the cost of refurbishing the current fleet and squeeze a cheque for £500m to cover the UK's contribution to FLA development funds from a cash-strapped MoD.

At present, BAe is simply arguing for more time to develop and present its case, since the FLA will only complete its feasibility study at the end of the year. It has used newspaper advertisements to raise public interest in the issue and pressure the MoD to postpone a decision. One option it is considering is an offer to maintain the Hercules fleet at a fixed price until the FLA is available.

For BAe, a request for a delay does not seem unreasonable given the importance of the decision to the UK aerospace industry. As one defence industry observer puts it: "Lockheed is not going to go away and this is a decision the UK will be stuck with for 40 years. It will have knock-on consequences throughout the civil and military aerospace sector. It may just be worth taking another six months to make sure we get it right."

A Rembrandt among commentators

"The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups."

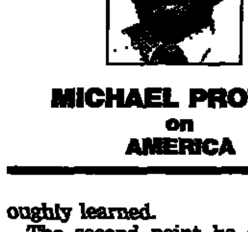
This is such a wise saying that it might have been coined by Adam Smith or one of the great classical economists. It actually flowed from the pen of Henry Hazlitt, the distinguished US economic journalist and author who died last year aged 98. Hazlitt wrote superbly and deserves immense credit for keeping his head during the middle decades of the century, when nearly all his contemporaries were seduced by socialist ideas and Keynesian economics. Indeed, in his analysis of economic and social problems, he was often decades ahead of his time.

A self-taught polymath, he wrote or edited some 18 books*. But he is probably best known for his short classic, *Economics in One Lesson*, which he wrote in 1946, during time off from his job as economics leader writer for The New York Times.

Many economists would dismiss it as a primitive effort. There are no equations or graphs. There is no macroeconomics, because Hazlitt despised "en bloc thinking that assumes away the individual differences that make up reality". There is nothing about demand management, because he believed in "Say's Law" – the proposition that in a flexible market economy, supply will create its own demand.

Seemingly anachronistic in its day, the book now looks prescient. Hazlitt grasped the destructive power of special interest groups long before the academic community. The difficulties inherent in economics, he wrote, were "multiplied a thousandfold by a factor that is insignificant in, say, physics, mathematics or medicine – the special pleading of selfish interests." He saw that such pleading was a natural result of the division of labour: as individuals we specialise more as producers than consumers.

A steelworker, for example, may benefit from special government concessions for his industry even if these make everybody else poorer. But he will be hurt by every concession granted to other industries. It follows that the only policy that is in everybody's interests is the apparently hard-nosed doctrine of zero protection in trade and zero subsidies in domestic markets. How much anguish might have been avoided in the postwar years if Hazlitt's lesson had been thoroughly learned.



MICHAEL PROWSE on AMERICA

The second point he stressed is the need to pay attention to all the consequences of a given policy, especially the long-term consequences. Hazlitt understood the short-run attractions of deficit spending and public works. He knew why decent people favoured minimum wages, rent controls, union privileges and so forth. But he patiently analysed the long-term results of these interventions, showing that they were almost certain to do more harm than good. He worried about incentives, for work, saving and investment, when leading Keynesians dismissed such talk as 19th century claptrap.

Economics in One Lesson was an introductory text. If you want to see Hazlitt at full throttle, read *The Failure of the New Economics* (Van Nostrand, 1959), a withering line-by-line critique of John Maynard Keynes's General Theory. Hazlitt is wickedly irreverent, noting at one point: "It is amazing how many fallacies and inversions Keynes can pack in a small space, and especially how many fallacies, like a set of Chinese boxes, he can pack inside other fallacies". He concludes that none of Keynes's significant doctrines was both original and true. This will seem a cheap shot only to those who have not sampled Hazlitt's scholarship.

He sometimes went too far – at least for colleagues. In 1944, Arthur Sulzberger, then running The New York Times, lost patience with Hazlitt's opposition to the Bretton Woods agreement. "Now, Henry, when 43 governments sign an agreement, I don't see how The Times can any longer combat this." Rather than compromise, Hazlitt stopped writing editorials on the subject and later moved to Newsweek as a columnist. Hazlitt regarded the proposed system of fixed but adjustable exchange rates, with only a partial tie to gold via the dollar, as logically flawed and bound, eventually, to collapse in a global inflation. History proved him right, although the Bretton Woods system provided a stable monetary framework for longer than he expected.

He was prescient on numerous other issues. He anticipated Charles Murray's critique of the US welfare system by more than a decade. He was an early critic of postwar foreign aid, seeing from the start that trade and investment were the keys to third world development.

Hazlitt was worldly enough to recognise that true believers in free markets and minimal government would always be heavily outnumbered by activists proffering instant "solutions" to every social problem. Speaking shortly after Barry Goldwater's crushing defeat in the 1964 presidential race, he urged yet greater efforts, arguing that members of the libertarian minority "can't afford to be just as good as the individuals in the majority. If they hope to convert the majority they have to be much better; and the smaller the minority, the better they have to be. They have to think better. They have to know more. They have to write better." Nobody could have set a better example.

**See The Wisdom of Henry Hazlitt, Foundation for Economic Education, Irvington-on-Hudson, New York 10533.*

OBSERVER

Merck's odd injection

■ Merck chairman Roy Vagelos is one of the most brilliant US scientists of his generation and has made Merck one the most admired companies in the pharmaceuticals business. But in one respect Vagelos has failed.

He has not been able to groom an internal successor and has had to hand over the chairmanship of one of America's top ten companies to a virtual unknown.

It is hard to imagine other US blue chips like Exxon, General Electric or Coca-Cola prepared to take such a risk. Merck is not another IBM. It is not short of good managers. So why has it turned to Raymond Gilmartin, 53, boss of Becton Dickinson, a much smaller medical supplies company?

Gilmartin, who has spent 18 years with his firm, has no big drug company experience and is not the sort of corporate super-star to stir Wall Street. Admittedly, he has done the sorts of things on a small scale that Merck will need to do if it is to prosper over the coming decade. Becton Dickinson relentlessly cut costs during the mid-1980s and Gilmartin also boosted the company's research and development budget to take it into more profitable areas, such as diagnostic equipment.

The hope is that Gilmartin can work the same sort of magic at Merck. But despite the best efforts of Merck's PR machine, Wall Street's initial verdict is that he's a high-risk choice. Gilmartin will be in charge of a $1.3bn R&D budget, yet he has no background at all in the discovery and development of new drugs. He joined Becton Dickinson after an electrical engineering degree, an MBA from Harvard, and a stint as an Arthur D Little consultant.

He's said to be charismatic and a hands-on manager, like Vagelos, whom he succeeds on Thursday. Even so, the management succession at one of the world's most admired companies looks like a botched job. Vagelos's abrupt exit at Merck has given the impression that it's a one-man show, which it is not.

Going begging

■ Nice to see Lady Margaret Colville made Companion of the Royal Victorian Order in the latest honours list. As "Extra Woman of the Bedchamber to Queen Elizabeth the Queen Mother", she no doubt deserves it.

And something for below stairs, too: Royal Victorian Medals (Silver) to – among others – Henry Charles Bynoth (roofing contractor), Christopher Arthur Chiverton (trapper, Great Park, Crown Estate, Windsor) and Peter Horace Matthews (senior *sous chef*, Buckingham palace).

Nothing for the corgis?

'Ian lost his deposit and he's taken it rather badly'

Sic transit

■ They take Latin seriously in Toledo, Ohio. Richard Ehret, a classics master, recently got into trouble with an over-enthusiastic attempt to infuse life into the tongue of Catullus, a Roman poet.

Ehret's offence was to introduce into the classroom phrases like "in dentibus anticis frustum magnum spinaciae habes" and "braccae tuae aperiuntur", which loosely translate as "you have a big piece of spinach on your front teeth" and "your fly is open".

"Totally inappropriate," said school superintendent Kenneth Bishop. Ehret, who claims he was trying to make his classes interesting and merely took examples from the textbook *Latin for all occasions*, was suspended without pay for 10 days.

Goodhart's handle

■ Last week's gathering of two thirds of the world's central bank bosses, on the occasion of the Bank of England's tercentenary, was such a rare event that it deserves a collective noun. Charles Goodhart of the London School of Economics has suggested a "discretion" of central bankers, but Observer is open to better suggestions.

Reading list

■ When Bill Clinton popped into Blackwells bookshop in Oxford last week, only five minutes before closing time, he obviously knew what he was looking for.

Hamish McRae's *The World in 2020*, about "power, culture and prosperity – a vision of the future", is typical presidential reading material. David Selbourne's *The Principles of Duty*, billed as a "powerful criticism of the corrupted liberal order", sounds equally worthy. But wasn't Selbourne the maverick left-wing don who upset the left by writing for The Times when the unions were up in arms against Rupert Murdoch's plans for the paper? He was so hated that he was drummed out of Oxford.

Peter Arnett's memoirs of a hack who has covered every recent war from Vietnam to Kuwait also looks a bit of an odd choice. Could Clinton be planning how to survive a siege conducted by liberals who fear a sell-out?

Black humour

■ A press release lands on Observer's desk from the Department of Trade and Industry, aka the department of hollow laughter. It starts: "Energy Minister Tim Eggar today thanked all British Coal employees for their tireless efforts in creating a real future for a private-sector coal industry. . ."

FINANCIAL TIMES
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Nuclear arsenal makes Ukraine a danger spot

Kravchuk poised to sign EU partnership deal

By Lionel Barber in Brussels and Jill Barshay in Kiev

Ukrainian president Leonid Kravchuk is expected to sign a "partnership" agreement with the European Union in Luxembourg tomorrow, the first sign of a more evenhanded EU strategy toward Ukraine and neighbouring Russia.

Mr Kravchuk will draw satisfaction from the fact that a similar partnership agreement between the EU and Russia remains unfinished, although Brussels hopes to wrap up the accord in time for the European summit in Corfu next week.

Ukraine's nuclear arsenal and collapsing economy make it the regional danger spot, but the EU's new policy of engagement is being hobbled by a row over a European Commission plan to send emergency food aid.

Britain, among others, opposes the provision of farm credit guarantees amounting to Ecu100m ($116m) so that Kiev can buy western fertilisers with scarce hard currency. The UK believes that reports of food shortages are exaggerated, and that the Commission's move is a short-term palliative.

Winter crops in Ukraine failed and had to be replanted. Many spring crops were planted without fertilisers, making them vulnerable.

Kiev's powerful agricultural lobby, trying to restore traditionally high subsidies, has warned of pending disaster, but western diplomats believe large-scale humanitarian aid is "premature".

Although choice is limited, food stores are stocked. Many warehouses are watching their potatoes rot because demand has dropped on the retail market. The explanation is that self-sufficient Ukrainians with access to garden plots have been planting their own.

"Ukraine doesn't need food," one diplomat said. "They need much more sophisticated help" – such as market incentives to produce, a competitive distribution system and better storage facilities.

Mr Kravchuk, fighting a tough campaign for re-election this month, can expect a warm reception in Luxembourg. But privately he will be warned that future aid is linked to closing unsafe nuclear reactors such as Chernobyl, and ratification of the nuclear non-proliferation treaty.

Nuclear safety in Ukraine will feature highly on the agenda of the Group of Seven industrialised nations in Naples next month. Brussels estimates suggest that the dismantling of the Chernobyl plant may cost Ecu300m to Ecu500m.

As the international outcry to close Chernobyl has mounted, Ukraine has raised its asking price to shut the station from $2bn to $14bn. With Ukraine's future government still uncertain, it will be tricky to secure a deal with the executive branch without the danger of it backfiring in Ukraine's parliament.

A second complication is that the EU's pressure for accelerating closure of Chernobyl is tempered by the desire to avoid being stuck with the whole clean-up bill.

UK spy chief tells viewers the story of MI5

By Diane Summers

Three quarters of the work of MI5, the British security service, is now focused on fighting terrorism, particularly in Northern Ireland, rather than the infiltration of "subversive" political groups or the type of counter-espionage portrayed in spy novels.

The picture of the modern, post-cold war MI5 was drawn last night by Mrs Stella Rimington, director general of the security service, in an unprecedented speech on television by the head of a secret service.

Since the collapse of Soviet communism, the threats to national security had been transformed, Mrs Rimington said.

"Countering espionage now takes up less than a quarter of our resources," she said, delivering the 1994 Richard Dimbleby Lecture on BBC1.

The threat from subversion had also subsided, taking up less than 5 per cent of MI5's time.

Now, part of what little time was devoted to countering subversion was spent on extreme rightwing groups "who are seeking to undermine democracy through the exploitation of racial hatred and xenophobia".

The service's overwhelming focus today was fighting terrorism, originating both from within the UK and abroad, she said. For example, MI5 had prevented "the intelligence services of a number of Middle Eastern states from carrying out sustained campaigns of murder against their opponents in this country and elsewhere".

The service's most important task was mounting intelligence operations to counter the threat from Irish terrorism. "The Provisional IRA, in particular, is a sophisticated and ruthless terrorist organisation, and poses the most serious threat to our national security."

Staff were selected for their judgment, impartiality and integrity. "Fortunately, it is no longer necessary for anyone to pass one of the tests which was imposed on recruits to the service in 1914. Then, staff had to show that they could make notes on their shirtcuff while cantering on horseback," Mrs Rimington said.

German government warned against further tax rises

By Christopher Parkes in Frankfurt

Falling private demand poses the biggest threat to Germany's economic recovery, according to a senior Bundesbank official.

Arguing that no fresh stimulus could be expected from lower interest rates, Mr Otmar Issing warned the government against any further tax increases.

Mr Issing, the German central bank's chief economist and a member of its directorate, said state burdens on private incomes were already at record levels.

"No economy has ever delivered the growth rates we need with such high contribution rates," he said in a weekend newspaper interview.

Disposable incomes had fallen in real terms this year, and the prospects for next year were not rosy, he added.

Mr Issing was referring to a 7.5 per cent income tax surcharge to be imposed next January.

The main purpose of this levy is to finance continuing heavy transfers to aid economic reconstruction in eastern Germany.

The interview also reflected the bank's concern that recent signs of recovery might encourage inflationary expectations in the 1994 pay round starting this autumn.

This year's real wage cuts were insufficient to solve the problems piled up during the unification boom, he said.

The popular mood was lifted last week by west German growth figures for the first quarter which showed gross domestic product expanding at more than 2 per cent year on year.

Although exports are continuing to grow strongly, the early surge in private consumption which contributed to the good first-quarter result is already showing signs of evaporating.

Mr Issing also confirmed that the bank felt its interest rate policy had been relaxed as far as possible for the time being.

"We are of the opinion that we have now reached a level ... appropriate to the current economic situation and our outstanding problems," he said.

In spite of ballooning monetary growth, the bank continued its rates reduction policy up to the middle of last month. Since then, Bundesbankers have made plain that a pause is necessary.

"We must keep our nerve and trust, in spite of all the undeniable difficulties, that we are on the right course," Mr. Issing said.

Steering monetary policy would be even more difficult if government failed to continue reining in state spending.

In the meantime, the excess liquidity bloating Germany's M3 measure of money supply had to be released, "but not through inflationary spending, rather in long-term investments".

THE LEX COLUMN

Grip of steel

The European Commission will try to breathe life into its moribund steel plan this week. Wednesday's meeting will focus on whether Italian state subsidies can be provided to close 6m tonnes of capacity in the Brescia. The original scheme, promoted by Mr Karel Van Miert, the competition commissioner, was shot down on the grounds that such aid was legally dubious. His fellow industry commissioner, Mr Martin Bangemann, is attempting to revive the Brescia scheme so that the overall plan of cutting 19m tonnes of capacity can be salvaged.

What happens in Brescia is of little relevance to British Steel, which does not produce steel rods, the speciality of the Bresciani companies. Brescia cuts are more relevant to direct rivals such as ASW. But even it would have derived few benefits from the original Brescia scheme. Though some capacity would have been cut, the Bresciani producers would have been able to continue producing at similar rates and would have been financially stronger as a result of the subsidies.

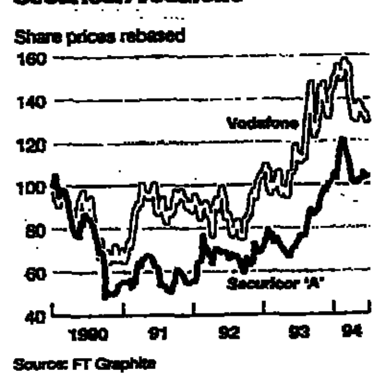
More important for British Steel is whether the European steel industry has seen its last round of state aid. The Commission would do better to ensure this is genuinely the last round rather than seeking further capacity cuts. Not only does it look odd to be demanding plant closures at a time when the European economy is picking up. A firm line on subsidies would provide the best guarantee that overcapacity does not become a problem in the next recession. Steel makers would then know they could not rely on their governments to bail them out.

Securicor

Cellnet has consistently underperformed Vodafone in market share, profits and cash flow since both won their licences in the mid 1980s. But it is hard to believe that Cellnet is worth only 45 per cent as much as its stronger rival. Yet that is the implication from the way the market values Securicor and Security Services, which together own 40 per cent of Cellnet.

Securicor, which owns 13 per cent of Cellnet plus 51 per cent of Security Services, is valued at £830m. The 49 per cent of Security Services not owned by Securicor is valued at £380m. That gives a grand total of £1.21bn. On top of their stakes in Cellnet, the two companies have a range of other businesses worth perhaps £270m. So the implied market value of their 40 per cent Cellnet stakes is £940m, giving a value of £2.35bn for the whole company. Vodafone's market capitalisation is £5.2bn.

Securicor/Vodafone



Source: FT Graphite

These relative values seem misjudged not merely because Cellnet's cash flow is currently half Vodafone's and looks likely to rise faster. The probability that BT, which owns 60 per cent of Cellnet, will eventually want to take full control further enhances its value. Though BT is currently prevented from doing so by regulation, little political capital has been invested in maintaining the ban. And if BT were able to buy Cellnet, the chances are that it would pay a premium because of the benefits from integrating mobile services with its fixed network. All this leaves open the question of whether Securicor is undervalued or Vodafone overvalued. Investors could play safe by buying the former and selling the latter.

Japan

Judging by its buoyant equity market, there is a mood of optimism in Japan. Yet Tokyo's strength is partly a function of weakness elsewhere. With other markets upset by US rate rises, international investors have had to scratch around to find a suitable home for their money. The question is whether they are right to conclude Japan is the place. The dollar's modest recovery against the yen helps, but it is hard to argue that the earnings outlook is really bright enough to allow the bull run to go for much longer. The Bank of Japan's latest Tankan survey of business confidence shows more corporate restructuring coming, despite the improvement in sentiment.

The Nikkei 225 average is currently on a multiple of 89 times prospective earnings for the year to next March. That is demanding when the average company is expecting an increase of only around 8 per cent in pre-tax profits. Measured in relation to cash flow the market is on a more reasonable multiple of around 13, a reflection of the size of depreciation charges following the late 1980s surge in capital investment.

But it looks as though the sheer weight of cash is the main factor. Domestic investors may be driven just as much by fear of missing out on a bull run so far fuelled mainly by foreign institutions. Liquidity also propelled the market before its spectacular collapse in 1990. That lesson is engraved deep on the heart of the Bank of Japan. It may not now want to risk another bubble by dropping the official discount rate.

Gold

Rising bond yields, a weak dollar and anxiety about inflation look like a sure-fire recipe for a rising gold price. Yet bullion has been stuck around $380 an ounce since the turn of the year. Part of the reason may be that the speculative funds which fuelled the gold rally in 1993 have switched into other commodities, notably base metals. Neither are the fundamentals of supply and demand as compelling as last year.

The discretionary buying which buoyed gold in the early months of last year has fallen away. Purchases by Indian, Chinese and Middle Eastern buyers were all lower in the first quarter. The relatively smooth transition to democracy in South Africa – which still accounts for around one third of world gold production – has also reduced the risk of disruption to supply. Central banks have not been selling bullion on the same scale as last year, when between 500 and 1,000 tonnes were released. With around 35,000 tonnes in their vaults, though, the threat of liquidation is never far away when the gold price rises towards $400.

Yet the biggest dampener on bullion is the rising trend in US interest rates, which has increased the cost of holding a non-yielding asset. If rising rates reflect real inflationary pressure that drag could soon be outweighed by other factors. The worst of all possible worlds for bullion would be if the US Federal Reserve has timed its monetary tightening just right. Rising real interest rates combined with relatively low inflation would be a powerful argument for lower gold.

Van Miert appeals for flexibility at steel rescue talks

Continued from Page 1

next president of the European Commission. A spokesman for Sir Leon said the two issues were entirely separate.

Mr Van Miert's decision to distance himself from the steel rescue plan means that the slim chances of a revival lie with Germany's Mr Martin Bangemann, EU industry commissioner.

Mr Bangemann, co-architect of the plan, wants a generous interpretation of the rules to take account of the complicated cross-ownership of the Brescia mini-mills. The web of company shareholdings means that not all companies linked to steelmaking would shut down, raising the legal question of whether state aid could be used for "partial closures".

Last month, Mr Van Miert suffered a heavy defeat after Sir Leon argued in favour of a rigorous interpretation of the steel code on state subsidies.

Mr Van Miert said he was relaxed about a possible collapse of the steel plan.

"I'm not asking for anything. I was simply trying to do what I had been asked but if the conclusion is we can't go ahead, that is no problem," he said. He repeated warnings that the EU would open proceedings against Italian steel industry aids as well as a case against Luxembourg steel production.

Mr Van Miert noted that he had opposed proposals to adopt an intervenionist steel policy based on production quotas which would have only resulted in freezing capacity, opting instead for a more flexible approach, combining support measures in exchange for capacity cuts.

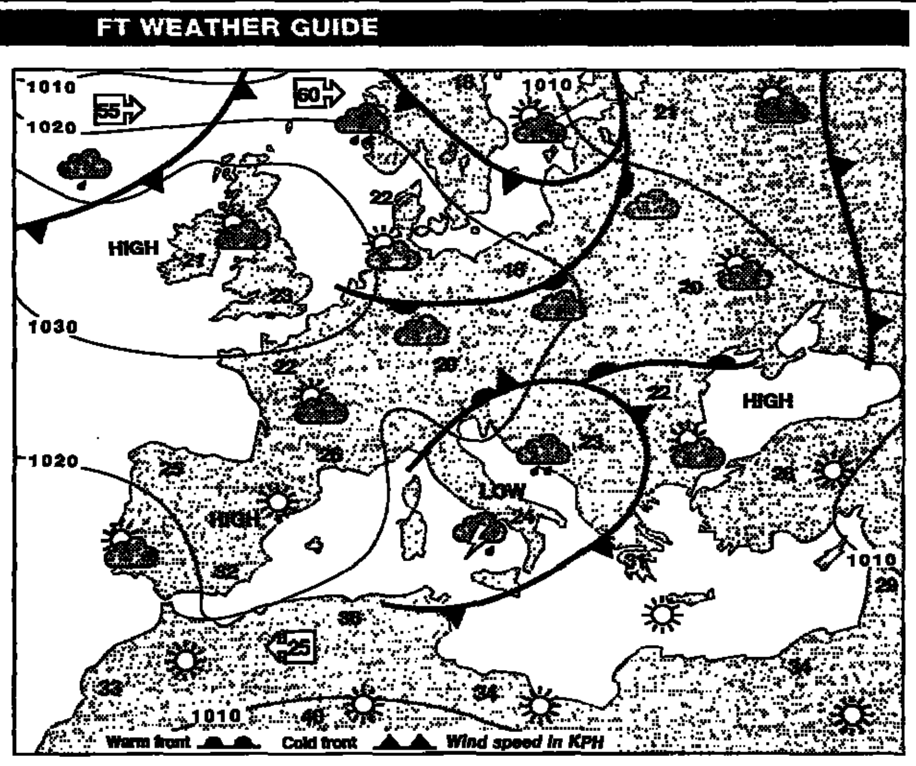
FT WEATHER GUIDE

Europe today

South-west Europe will be mainly sunny and significantly warmer than yesterday. After a cold start, temperatures will exceed 20C in the Low Countries and 25C in southern France. Tropical temperatures and abundant sunshine will dominate Spain, the southern Balkans and Turkey. The Norwegian mountains will remain unsettled and wet but southern and eastern Scandinavia will be mainly dry with some sun. Heavy rain with some thunder is expected over northern parts of Italy and the former Yugoslavia. The western CIS and the Baltics will have rather cool breezes despite brief periods of sunshine. North of the Alps, cloud with patches of drizzle will be followed by clear skies from the north.

Five-day forecast

Scattered rain and thunder showers will develop along the Mediterranean but it will be mainly dry and warm inland. The south-west will stay sunny and warm, but north-west Europe, including the UK, will become cooler from Wednesday. The cooler air will also reach northern France towards the weekend. Scandinavia will, in general, be very unsettled with rough conditions along the Norwegian coast.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

City	Weather	°C
Abu Dhabi	sun	41
Accra	shower	29
Algiers	sun	26
Amsterdam	fair	22
Athens	sun	31
Atlanta	shower	32
B. Aires	sun	14
B.ham	fair	22
Bangkok	thund	30
Barcelona	sun	20
Beijing	shower	30
Belfast	fair	17
Belgrade	rain	19
Berlin	cloudy	21
Bermuda	fair	29
Bogota	cloudy	18
Bombay	rain	30
Brussels	fair	23
Budapest	rain	21
C.hagen	fair	23
Cairo	sun	38
Cape Town	sun	18
Caracas	fair	26
Cardiff	fair	22
Casablanca	fair	24
Chicago	thund	30
Cologne	fair	21
Dakar	sun	29
Dallas	sun	34
Delhi	shower	36
Dubai	sun	40
Dublin	fair	16
Dubrovnik	cloudy	27
Edinburgh	fair	21
Faro	sun	24
Frankfurt	cloudy	22
Geneva	fair	22
Gibraltar	sun	20
Glasgow	fair	21
Hamburg	fair	21
Helsinki	fair	19
Hong Kong	cloudy	30
Honolulu	fair	31
Istanbul	fair	27
Jakarta	fair	34
Jersey	fair	20
Karachi	fair	35
Kuwait	sun	42
L. Angeles	sun	24
Las Palmas	fair	25
Lima	shower	19
Lisbon	fair	30
London	fair	23
Lux.bourg	fair	24
Lyon	fair	23
Madeira	cloudy	21
Madrid	sun	31
Majorca	sun	21
Malta	sun	25
Manchester	fair	22
Manila	thund	33
Melbourne	fair	14
Mexico City	fair	24
Miami	fair	33
Milan	rain	24
Montreal	fair	24
Moscow	cloudy	20
Munich	fair	21
Nairobi	fair	26
Naples	cloudy	24
Nassau	fair	31
New York	fair	29
Nice	cloudy	23
Nicosia	fair	32
Oslo	cloudy	21
Paris	fair	22
Perth	cloudy	18
Prague	cloudy	18
Rangoon	rain	30
Reykjavik	rain	8
Rio	cloudy	25
Rome	shower	24
S. Frsco	fair	21
Seoul	fair	25
Singapore	shower	31
Stockholm	cloudy	17
Strasbourg	fair	22
Sydney	fair	19
Tangier	sun	28
Tel Aviv	sun	32
Tokyo	fair	28
Toronto	shower	25
Vancouver	rain	18
Venice	rain	23
Vienna	fair	22
Warsaw	cloudy	16
Washington	fair	32
Wellington	shower	10
Winnipeg	cloudy	22
Zurich	fair	22

FINANCIAL TIMES
COMPANIES & MARKETS
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Monday June 13 1994

MARKETS THIS WEEK

MARTIN DICKSON:
GLOBAL INVESTOR
For the past three years California, the biggest single state economy, has been sunk in recession, badly trailing the national recovery in business activity. Now, it is showing the glimmerings of an economic upturn. Is the "golden state," which lost its image of boundless opportunity during the recession, about to regain it? **Page 24**

PETER NORMAN:
ECONOMICS NOTEBOOK
Globalisation is one of those ugly words impossible to avoid when discussing the world economy. Last week, in its Jobs Study, the OECD cleared globalisation of *contributing* significantly to the sharp rise of unemployment in the industrialised countries. **Page 24**

BONDS:
Signs that, at long last, investors are prepared to take chances on new issues which they believe to be attractively priced have raised hopes that after several difficult months, some stability has returned to the eurobond market. **Page 26**

EQUITIES:
For those strategists focusing on the strength of underlying equity valuations and on the evidence of economic recovery in the UK, last week brought valuable support. **Page 27**

EMERGING MARKETS:
With such an apparently rosy economic background, why is the Tel Aviv stock market plunging? **Page 25**

CURRENCIES:
Foreign exchange traders will start the week by trying to assess the impact of the European elections. **Page 25**

COMMODITIES:
Delegates at the Vienna meeting this week of the Organisation of Petroleum Exporting Countries have the task of avoiding damage to the market's new-found buoyancy.
Page 24

UK COMPANIES:
The Cheltenham & Gloucester Building Society seems to face a second hurdle to its acquisition by Lloyds Bank. The new hurdle affects mortgage holders. Under the 1986 Building Societies Act, borrowing members must pass a separate vote in favour of the transfer to another company.
Page 22

INTERNATIONAL COMPANIES:
Ford, the US motor vehicle manufacturer, has launched an aggressive strategy to gain a bigger share of the Japanese new car market.
Page 23

STATISTICS

John Griffiths talks to Honda about its European strategy after BMW bought Rover

Not divorce but a partial separation

In the immediate aftermath of the decision by British Aerospace to sell Rover Group to BMW, Honda appeared bent on filing for a bitter divorce from the UK car company which had been its partner for 14 years. Tempers have now cooled; pragmatism has set in.

Honda and Rover have still undergone a partial separation, in that their cross-shareholdings have just been unwound.

But their collaboration on specific projects will continue, and possibly be renewed, for as long as there is considered to be mutual advantage.

Honda meanwhile considers itself free to form as many liaisons with other European partners as it might choose, according to the Japanese car maker's president, Mr Nobuhiko Kawamoto. And while mention of BAe still provokes frowns of disapproval among Honda executives - who maintain that BAe should have let Rover remain independent and British - it is a measure of how much the atmosphere has lightened that even BMW is not excluded as a potential project partner. This flexibility in attitude towards partners present and potential is one of several key elements in a long-term strategy for Europe just drawn up by Honda, and which has what Mr Kawamoto describes as a "mid-term" goal of almost doubling Honda's car sales in the region by the year 2,000.

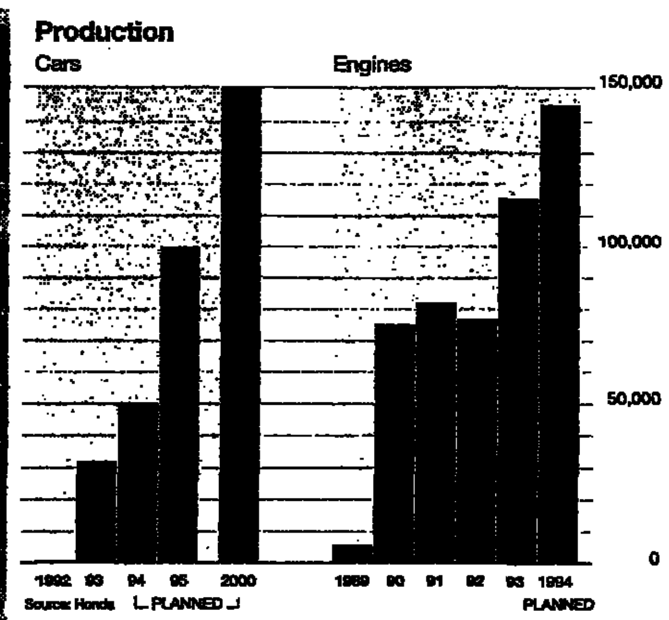
What the long-term goal might be, Mr Kawamoto is not yet willing to say. But it almost certainly will involve a further expansion of Honda's car making facilities at Swindon in southern England beyond even the 50 per cent increases in capacity, to 150,000 cars a year, announced in Tokyo last week and to come on stream in 1998.

The capacity increases, together with the installation of a £30m ($45m) body pressings plant, form another element in the strategy. They will provide Swindon with stand-alone capability and viability, says Mr Kazue Ito, currently executive vice-president of Honda Motor Europe, and who is to succeed Mr Miyake as president of UK-based HME on June 29.

They would allow Honda to "strongly accelerate the self-reliant strategy which we have been pursuing" since the Rover takeover, says Mr Kawamoto. The unspoken message was clear: Honda may form other project partnerships in Europe, but never again will it willingly make itself vulnerable within a long-term, strategic alliance.

Even ignoring the reasonable assumption that Honda's long-term goal is to lift its European sales higher than the 300,000 (2 per cent of the total market) projected for the year 2,000, the expanded Swindon capacity is inadequate on the basis of Honda's own numbers.

Swindon: plans for expansion



Source: Honda

According to Honda's strategy presentation last week, 150,000 of those sales will be provided by cars built at Swindon.

Yet Swindon is also to supply cars to the Middle East and Africa, regions for which HME and Mr Ito are also taking over responsibility. Honda already sells 50,000 cars in these markets and in the longer term they could take up to 10,000 from Swindon, according to Mr Ito.

Other elements in the new European strategy should help Honda achieve its goals, most notably the addition of more than 500 dealers to the European network, bringing the total to 2,300, by the end of the decade.

The strategy needs to work. The new investment at Swindon, including a new model to be developed for the end of the 1990s at a cost of £240m, will total £330m. Given that the spending will be phased over several years, it is a relatively small amount for a group with consolidated net sales and other revenues last year of Y3,862.7bn ($37.48bn). Even so, Honda's profits have come under increasing pressure. Three weeks ago it disclosed a further 36 per cent fall in net profits for its financial year to March 31, to Y23.6bn, following four straight years of profits decline from nearly Y100bn in 1989-90.

Mr Kawamoto insists, however, Honda has turned the corner and efficiency improvements and market recovery in North America and Europe should see profits more than double in the current year.

The new European strategy is not confined to cars, and itself forms only part of a wider set of policies through which Honda will try to ensure its long-term presence in a globalised auto industry. Honda also produces motorcycles, car engines for itself and Rover, lawn mowers, generators and a variety of other power products in Europe.

From now on the development, manufacture and sales of all of these are to be integrated and co-ordinated by HME.

Altogether, says Mr Ito: "Honda has 800,000 customers a year in Europe." Many car buyers, he points out, are also natural purchasers of other Honda products like lawn-mowers and there is a logic in multi-product showrooms. The same integration will go on throughout the four global regions into which Honda has split its operating activities: the Americas, Asia/Oceania, Japan and the new Europe/Middle East/ Africa grouping.

UK shares fall out of favour with funds

By Maggie Urry

UK fund managers' enthusiasm for buying British equities has waned further, according to the latest monthly poll of investment intentions from Smith New Court and Gallup.

The balance of bulls over bears of UK shares has fallen from 20 per cent in April to 8 per cent in the June poll, carried out early last week. This is in spite of a balance of 28 per cent of respondents, up from 17 per cent in May, expecting the FT-SE 100 index to rise over the next three months, and 81 per cent (74 per cent) bullish on the index over the next 12 months.

Fund managers have become more bullish about gilts, however, with the balance of those planning to buy over those expecting to sell rising from 2 per cent to 16 per cent between May and June.

A desire to reduce cash balances, currently 3 per cent of pension funds' money, is persisting and fund managers' favourite target market is the Japanese equity market, with Smith New Court saying investors were "rampantly bullish" about the outlook for this market. The balance of buyers over sellers was 47 per cent in the June poll although the market has already risen significantly this year.

Among other European markets, fund managers favour France, Germany and Spain at the expense mainly of Italy. The US market is expected to show the lower growth over the next 12 months than the UK, Japan or Europe.

Bond weakness slows UK property upswing

By Vanessa Houlder, Property Correspondent

The sharp upswing in UK commercial property values over the past year has been brought to a halt as a result of weakness in the bond market and a lack of growth of property rents.

Total returns from the UK property investment market for the year to May were 29 per cent, down on April's figure of 29.3 per cent, according to a monthly index published by Richard Ellis, UK chartered surveyors.

"Capital growth due to significant movements in investment yields have temporarily come to an end, yet the anticipated rental growth has not yet started to appear," according to Richard Ellis.

Most participants in the UK property market expect the setback to property prices to be slight. Mr John Ritblat, chairman of British Land, said the market's cooling was a symptom of balance emerging between numbers of buyers and sellers. "The froth has blown off the market," he said. Hillier Parker, chartered surveyors, believes that average property yields, the ratio of income to capital, have been stable over the last month at 7.2 per cent. Mr Greg Nicholson of Hillier Parker believes they are likely to edge up by one percentage point over the coming month.

The principle reason for the slight setback to the commercial property market is the behaviour of the bond market. The movements in bond prices had a heavy influence on property value last year since – in the absence of rental growth – property's long-term, secure income stream tends to be valued like a bond. This year, the link between property and bonds has loosened, as investors have become more optimistic about prospects for rental growth. A few months ago, property yields fell below gilt yields as investors became convinced that rental growth would soon re-emerge. The gap between property and gilts yields is now more than one percentage point.

Some investors are nervous about the size of this reverse yield gap until bond yields settle down or there is firm evidence of rental growth. "There is great uncertainty in the market as to what is happening", in the view of Mr Marc Gilbard of Goldman Sachs. If gilt yields were to move out to say, 9 per cent, he would expect property values to fall in the short term.

Investors' nerves are also being tested by the paucity of evidence of rising rents, except in a few markets such as prime Central London office space. Richard Ellis reports that rents fell in May, after stabilising in previous months. Mr Andrew Walker of Institutional Property Forecasting Services, a subsidiary of Erdman Lewis, has cut its estimate of total returns for this year from 18.3 per cent to 10.7 per cent as a result of downgrading rental forecasts.

Properties most affected by the weakness of the bond market are those let at above-market rents and so have the least prospect of rental growth. Agents estimate that around £800m-£900m of over-rented property for sale in the City is having difficulty in attracting buyers. However, demand is still strong for certain parts of the market, particularly shopping centres and prime high street shops. Agents believe that several billion pounds of institutional funds are allocated to the property sector. In particular, unit trust managers have raised significant sums to invest in property.

This week: Company news

KONINKLIJKE PTT NEDERLAND

Trading begins in shares of postal privatisation

Trading gets under way today in shares of Koninklijke PTT Nederland, the Dutch telecommunications and postal operator which is being partially privatised in the biggest share launch in the history of the Amsterdam stock exchange.

The 138.15m shares were priced at Fl49.75 ($26.60) with private investors given a discount of Fl2.50 per share up to a maximum of 75 shares. The price was at the high end of expectations but the offer was nearly three times oversubscribed.

The Dutch state, which is raising nearly Fl7bn through the sale of a 30 per cent stake in the company, is eager for trading to go well to pave the way for a second tranche by late 1997. It will also be watching to see how many private investors cash in their shares immediately to realise the difference between the price they paid and the price fixed for institutional investors. This is the first Dutch privatisation in which small shareholders have been given a financial incentive to take part.

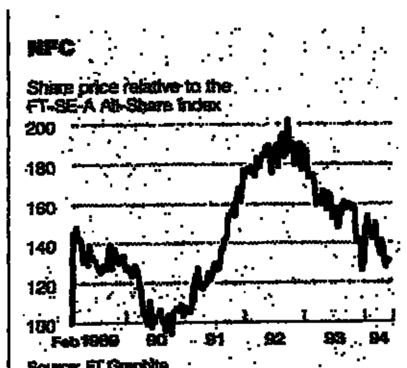
ABN Amro, the Dutch bank leading the international underwriting consortium, had asked consortium members to refrain from trading in the shares on an "as, if and when issued" basis ahead of today's official launch.

With a total market capitalisation of Fl22.9bn, KPN will be the third largest company listed on the Amsterdam bourse, behind the exchange's two Anglo-Dutch giants, Royal Dutch/Shell and Unilever. It will account for more than 7 per cent of the market's total capitalisation.

Underlining KPN's unusual status as the world's only postal authority to have a stock market listing, the company is scheduled to issue a new stamp today in a design that combines KPN's logo with a drawing of the floor of the Amsterdam stock exchange.

NFC

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

NFC

Recovery may prove a moving experience

NFC's performance is viewed as a bellwether indicator of UK economic activity, so the transport and logistics group's interim results due on Wednesday will be well scrutinised.

In March the UK-based group, which reports its results on a quarterly basis, reported an 11 per cent increase in underlying operating profits. At that stage the company said the domestic economic recovery remained variable, and noted there were no signs of recovery in continental Europe.

The second quarter is traditionally the weakest for NFC. Reflecting this, first half pre-tax profits on an FRS3 basis are likely to fall from £86.6m to £53m ($79.5m). However they should show healthy growth from £37.5m to about £49m on a normalised basis as the recovery in the US and UK economies begins to pull more consumer goods through the distribution pipeline serviced by NFC's logistic operations.

Meanwhile the upturn in the housing markets should help Pickfords moving services but investors will be looking for further clarification on the future of Lynx, the loss-making parcels business. Earnings growth will continue to be held back by the dilutive effects of the £263m rights issue completed in January which has nevertheless provided additional flexibility to expand the distribution and removal businesses internationally.

OTHER COMPANIES

Mediobanca rights set for approval

Shareholders in Mediobanca, the powerful Milan merchant bank, should approve a L1,500bn ($939.8m) rights issue at their meeting in Milan today, although the exact price of the shares to be issued will not be set until next week. The shareholder assembly comes exactly two weeks after Ravenna magistrates warned top bank executives that they were under investigation for their role as advisers to the Ferruzzi-Montedison industrial group last year.

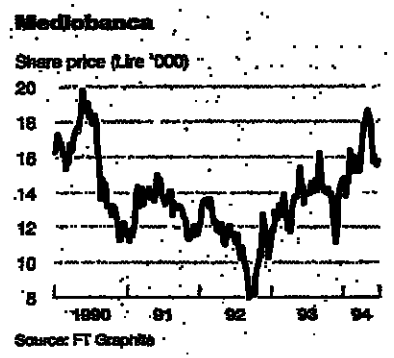
Mediobanca has said it is "bitter" about the allegations that directors conspired to issue false accounts. However, in line with its reputation for the utmost discretion, the bank is unlikely to comment further on the affair today.

■ Christian Salvesen: The UK distribution company today reports full year results which are likely to show only a modest increase on the year-ago pre-tax level of £75.9m ($113.9m) and earnings of 19.1p. Following the group's profits warning in January, the shares have underperformed the market by around 40 per cent – these results should mark a turning point.

■ FKI: The UK-based electrical engineering group is expected to turn in annual pre-tax profits of at least £50m ($75m) on Thursday, up from a previous £38m.

Mediobanca

Share price (Lire '000)



Source: FT Graphite

■ Argus Newspapers, the new company holding the publishing interests of South Africa's Argus group, is due to list on the Johannesburg Stock Exchange today. With the listing, Mr Tony O'Reilly's Dublin-based Independent Newspapers group will become the largest shareholder in the group. Although the share had been tipped for a strong opening – its pre-listing statement, forecasting earnings of 72 cents a share for the next financial year up from a pro-forma 64 cents in the year to March, was well received by the market – its prospects have been overshadowed by a wage dispute with journalists in the group's newspapers. Although a threatened strike by the two major press unions appears to have been averted pending the outcome of mediation on Tuesday, pickets are still planned outside the stock exchange this morning, and the continued threat of industrial action is likely to deter several prospective purchasers.

Companies in this issue

Ruling may bar payments to mortgage borrowers say advisers

Further hurdle for C&G offer

By John Gapper, Banking Editor

Cheltenham & Gloucester Building Society said yesterday that it believed that it had been barred from making payments to its 370,000 mortgage borrowers as part of its proposed £1.8bn acquisition by Lloyds Bank.

The society's legal advisers have said that last week's court ruling prohibited payments to its borrowers as well as its investing shareholders of under two years' standing.

The interpretation erects a second hurdle to Lloyds' acquisition because, under the 1986 Building Societies Act, borrowing members must pass a separate vote in favour of the transfer to another company.

The society said that the interpretation was one reason why it expected to take several weeks to devise a new scheme to comply with the judgment made by Sir Donald Nicholls, the Vice Chancellor, last week.

Although it has estimated that 27 per cent of its 825,000 shareholders, or some 220,000, would be unable to vote under the ruling, it is expected to re-examine its records to check whether this figure is correct.

C&G has already closed investing accounts to new members temporarily to prevent inflows of funds.

The requirements for the borrowing members' vote are less onerous than for the vote among investing shareholders because the borrowers' resolution needs only to be passed by a majority of those voting.

That is in contrast to the shareholders' vote, which must be passed both by a majority of those eligible to vote, and a 75 per cent majority of those actually voting, a figure made hard to achieve by the court ruling.

The society has ruled out paying members in preference shares rather than cash. Among options it is considering is persuading shareholders of less than 2 years standing to transfer to non-voting deposit accounts.

Although the judge ruled that it was allowed to make payments to depositors who are ineligible to vote it would risk being taken back to court by the Building Societies Commission if it paid shareholders cash to give up voting rights.

The longer the society delays devising a new scheme, the more of its investing members will qualify for payments. However, Lloyds could come under pressure from the stock exchange to clarify its intentions publicly.

Ennemix cuts float price by up to 30%

By David Wighton

Ennemix, an east Midlands aggregates company, has been forced to cut its flotation price by more than a quarter after institutions failed to back its original proposal.

This unusual plan involved raising almost £9m from a rights issue offered to existing shareholders of Anglesey Mining, a quoted north Wales mining group.

Mr Christopher Stainforth of merchant bank Guinness Mahon, which is advising both companies, said that institutions had used the deal's complexity as an excuse for not backing it. He said there were signs that the new issue market was recovering but because Ennemix needed new funding to complete an acquisition it could not wait.

It is therefore going ahead with an orthodox flotation but the price has been cut by "25-30 per cent".

Faced with the lower price, Nash Sells, the venture capital company, has decided not to sell any of its 23 per cent stake.

Mr Stainforth said the amount raised for Ennemix would be the same as under the former plan though the total raised would be between £6m and £7m.

The original proposal would have seen Ennemix inject a much needed £600,000 into Anglesey in return for a 15 per cent stake.

Anglesey believes its creditors will continue to support it for the time being and it has been given assurance from Imperial Metals Corporation, its largest creditor which owns 41 per cent of its shares.

Pillar Properties sets up joint venture fund

By Simon Davies

Pillar Properties, the UK investment company due to float later this week, has formed a £250m joint venture investment fund to buy retail property in the UK.

The venture has been set up with part of Canada's largest public pension fund manager, Caisse de depot et placement du Quebec, which controls about $33bn (£22bn) of assets.

It shows the resurgence of confidence in the UK property market since the launch of another joint venture fund by Mr George Soros and British Land a year ago which has invested more than £500m.

The latest investment company, which will be managed by Pillar, will focus on shopping centres, with an average purchase price of about £30m.

The fund will buy properties which require active management, including refurbishment, and it intends to be fully invested within two years. Profits will be split between the two partners, but Pillar will receive an additional carried interest, to reflect its management role.

Pillar and its partner, Société Immobilière Trans-Quebec, will initially inject £30m each, and acquisitions will be funded by a combination of equity and non-recourse debt.

The company has built up assets of £330.4m. It is managed by Mr Raymond Mould and Mr Patrick Vaughan, founders of BAe's property arm, Arlington Securities.

Harrods claims damages

By Antonia Sharpe

Harrods, Britain's most famous department store, has put in a counter-claim for damages amounting to hundreds of thousands of pounds against a former employee who is suing the Knightsbridge store for £23,000 in severance pay.

Harrods said it would vigorously defend the High Court action brought by Mr Nicholas Whalley who had been taken on to modernise the store's distribution systems.

"Mr Whalley had been given an important job to do but he abdicated that responsibility and allowed the situation to continue for six months," it said.

Mr Whalley was dismissed in March for failing in his duties and for failing to safeguard the interests of Harrods, the company added. The store's claim for damages is with respect to contracts for new equipment entered into by a man Harrods claims was not qualified to do so.

This situation had also cost Mr Stephen Taylor, Harrods' personnel director, his job. These departures come in the wake of the highly-publicised resignation in April of the store's former managing director, Mr Peter Bolliger. Earlier this month, Harrods said all differences had been resolved amicably.

Harrods has appointed a successor to Mr Whalley but declined to reveal his identity.

Approach to Dale Electric

Dale Electric International, the power systems maker, has received a preliminary approach which may lead to an offer for the company.

The board also announced that it was expecting a pre-tax loss of about £4m for the year to May 1 after taking account of exceptional provisions of £3.4m. Profits of £2.26m were recorded in 1992-93.

However, trading performance improved in the second half and further progress was being looked for in the opening half of the current year.

Mr Christopher Coole has resigned as a director and left the company and Mr Terry Smith has been appointed company secretary in addition to his duties as finance director.

Mgn Grenfell Equity Partners

Morgan Grenfell Development Capital has raised £261m at the first closing of a new fund to be invested in larger management buy-outs.

Morgan Grenfell Equity Partners, as the new fund is called, was raised from 38 investors mainly in the UK but also in the US, the Middle East and Japan.

Quiligotti calls for £1.5m

Quiligotti, the USM-quoted tiles and flooring group, has launched a 1-for-3 rights issue at 15p to raise about £1.5m net in order to restore its resources following the acquisition of Cristofoli in April.

The group also announced reduced pre-tax losses of £2.53m (£3.3m) for the year to March 31, and that it had applied for admission to the Official List.

In addition, Quiligotti has disposed of its Irish subsidiary, Quiligotti Ireland, to its management for £1 plus the payment of some intercompany debt.

Quiligotti Ireland, which is involved in the contract laying of hard flooring systems, will be appointed as the group's distributor in Ireland.

Group turnover for the 12 months amounted to £12.9m (£15.2m) including £1m from acquisitions and £824,000 (£1.22m) from discontinued activities. The pre-tax result was after restructuring costs of £1.03m. Losses per share came through at 1.22p (4.4p).

Irrevocable undertakings have already been received to take up 46.6 per cent of the underwritten rights issue of 11.22m new ordinary shares.

As anticipated last October, the company intends to consolidate its shares on the basis of one 5p share for every 10 existing 0.5p ordinary shares.

Mr Campbell Allan is stepping down as chairman with effect from July 4. He will be succeeded as chairman by Mr Kenneth Hodgson.

Notices could assist French Eurotunnel share investigation

By Antonia Sharpe

The routine issuing of Section 212 notices by Eurotunnel, the Channel tunnel operator, following its £858.3m rights issue, could provide important information for the Commission des Operations de Bourse, the French stock market regulator which is investigating French claims that Eurotunnel shares were manipulated ahead of the rights issue.

After big share offerings or rights issues, it is standard procedure for companies in the UK to send out these notices which oblige investors to provide details of their shareholdings. A by-product of these notices is that the company can also find out who has bought or sold its shares.

Last month, Mr Christian Cambier, head of a French association for Eurotunnel shareholders, wrote to the COB calling for an inquiry into the movement of shares in Eurotunnel ahead of the announcement of its rights issue.

"It seems that massive selling may have deliberately weighed on the share price since the beginning of May and that curiously shares in Eurotunnel may have been lent between institutions during the same period," he said in the letter.

Although selling "short" is legal in the UK and regularly occurs ahead of a rights issue, the exercise could benefit large institutions at the expense of small shareholders.

Eurotunnel said it would co-operate fully with the COB.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bridgend	fin	0.1	Aug 5	0.2	0.2	0.4
Bulgin (AF)	fin	0.25	Aug 3	0.1	0.25	0.1
Cohen (A)	fin	nil	-	3.4	nil	6.6
Park Food	fin	1.567	Oct 4	1.33*	2.4	2*
Sonic	fin	1.5	Aug 12	1.5	2.5	1.5
Welsh Water	fin	16.95	Oct 3	15.7	25.4	23.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for scrip.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Commercial Union (UK)	Groupe Victoire (France)	Insurance	£1.46bn	Advanced talks announced
Daewoo (South Korea)/ DCM-Toyota (India)	DCM-Daewoo (JV)	Auto assembly	£133m	Indian car production grows
Smiths Industries (UK)	Deltec (US)	Medical equipment	£100m	Pharmacia non-core disposal
Service Corp International (US)	Great Southern Group (UK)	Funeral services	£87m	Rejection looking likely
CLT (Luxembourg)	Chiltern (UK)	Broadcasting	£16.9m	First big UK push
Unitech (UK)	Advanced Analog (US)	Electronic components	£8.2m	Deferred payment element
Aga (Sweden)	BKZ (Russia)	Gas	n/a	Initial 35% stake
Eridania-Béghin-Say (France)	Elosua (Spain)	Edible oils	n/a	Montedison arm takes control
Diversey (Canada)	Unit of Chemrite (South Africa)	Chemicals	n/a	Third African operation
Metra (Finland)/ Securitas (Sweden)	Assa-Abloy (Finland/Sweden)	Control system	n/a	Control merger creating leader
Union Carbide (US)/ Elf-Atochem (France)	JV	Specialist plastics	n/a	Petrochem restructuring continues

COMPANIES AND FINANCE

Outokumpu in FM1.2bn share offer

By Christopher Brown-Humes in Stockholm

Outokumpu, the Finnish mining and metals group, has launched a FM1.2bn ($217m) international share offer on the back of a sharp improvement in profits in the first four months.

The Finnish state is also selling part of its stake in the company to raise FM400m. The moves give further impetus to the Finnish privatisation programme and will reduce state ownership in Outokumpu to as little as 38.2 per cent from 50.1 per cent.

Outokumpu and the state will offer 18m A shares, increasing to 21.3m shares if there is strong demand. All shares will carry warrants, giving subscribers the right to acquire one additional share for every six warrants before June 28 1996.

The offer is mainly aimed at international institutions, although there will also be a Finnish retail tranche. Proceeds will be used to strengthen Outokumpu's balance sheet, lifting its equity-to-assets ratio towards a targeted 40 per cent from 28.7 per cent at the end of April. It will also help finance investments in the group's base metals and stainless steel businesses.

The offer will be marketed in the second half of June, and pricing fixed in early July. Global co-ordinator is S. G. Warburg Securities. Kleinwort Benson Securities, Merrill Lynch International and Prospectus/Kansallis-Banking-Group are co-lead managers.

This will be Outokumpu's third share issue in little more than a year and comes on the back of a strengthening financial performance and rising metals prices.

The group lifted pre-tax profits to FM304m from FM21m in the first four months of 1994, despite a 4.8 per cent fall in net sales to FM5.51bn. Improving market conditions, rationalisation and reduced debt are expected to maintain the better trend over the rest of the year.

Outokumpu's shares fell FM6.60 to FM85.20 on Friday.

Trizec lifts offer to creditors

By Bernard Simon in Toronto

Trizec, the Calgary-based property developer, is poised to finalise its debt restructuring after improving its offer to creditors with the help of a C$300m (US$218m) injection from an investment group led by New York financier Mr Gerald O'Connor.

A committee of senior debenture holders, who have held out for better terms since Trizec launched its recapitalisation almost a year ago, has urged its members to approve the proposals. Information meetings for debenture holders, many of which are European institutions, will be held in Zurich, Toronto and New York over the next fortnight.

The injection by the US investment fund, known as Argo Partnership, brings the Trizec rescue package to more than C$1bn. Horsham, the holding company controlled by Canadian entrepreneur Mr Peter Munk, earlier agreed to put up as much as C$717m.

Under the latest plan, Horsham will have a maximum equity stake of 44 per cent in Trizec. Argo will own 24 per cent, leaving outside shareholders with 31.5 per cent. Trizec, which is North America's biggest publicly-traded real estate developer, is presently controlled by Toronto's Bronfman family.

The main change in the latest offer is a C$300m increase in the amount of cash available to securities holders, as an alternative to the common shares to be issued under the plan. The cash amount available to senior debenture holders has risen from 55 per cent of the value of their loans to 76 per cent, or a total of C$917m.

Mr Kevin Benson, Trizec's chairman, said that besides improving the chances of the debt restructuring going through, the sweetened "liquidity offer" should have a stabilising effect on Trizec's share price once the plan is implemented. It hopes to implement the debt-restructuring towards the end of July.

Intel and Hewlett-Packard seek best of both worlds

Louise Kehoe looks at the implications of a new power axis in the computer industry

Intel's alliance with Hewlett-Packard to develop a new generation of microprocessor chips could, if it lives up to the companies' expectations, become the most important computer industry partnership of the decade, defining the direction of computer technology for years to come.

The Intel-HP partnership links the world's largest semiconductor manufacturer and dominant supplier of microprocessor chips with the second-largest US computer company, creating a new power axis in the computer industry.

Intel plans to collaborate with HP in a broad joint research and development project "aimed at providing advanced technologies for end of the decade computers". The companies will together design 64-bit microprocessors, related semiconductor production technology and software.

For both companies, microprocessors are a critical technology. The chips are the "brains" of computers and determine, to a significant degree, the speed and power of a computer and what types of software it will run. The new partnership could, therefore, prove to be a decisive factor in the success of both companies.

For Intel, the HP technology alliance signals a shift of loyalties. Since the late 1970s, Intel has been closely linked to IBM, still its largest customer, as the developer and supplier of microprocessor chips for IBM and IBM-compatible personal computers.

Intel's relationship with IBM has been frayed, however, by IBM's adoption of PowerPC, a new microprocessor architecture jointly developed by IBM, Motorola and Apple Computer, as the foundation for many of its future products.

IBM and Motorola are promoting the microprocessor as an alternative to Intel chips in PCs. Apple has launched several Macintosh PCs based on the PowerPC chip and IBM is expected to introduce its first PowerPC "personal systems" in a few months.

By working with HP, Intel aims to expand its market into microprocessors for use in higher performance computers such as workstations, network servers and mainframes, while also defending its leadership in microprocessors for PCs.

HP brings several strengths to the partnership. The computer company has its own microprocessor architecture, called PA-Risc, which has helped to make it a leader in the market for computers that are linked by networks. HP is also an expert in "open systems" software, which has become an important standard for distributed computing.

Unlike IBM and Digital Equipment, HP is flourishing. Its sales rose 24 per cent last year to $20.3bn, overtaking Digital to become the second-largest US computer company.

HP and Intel aim to combine the "best of both worlds". Their jointly developed chips will draw on Intel's expertise in high volume chip manufacturing and its dominant role in the PC arena and HP's experience in very high-performance Risc (reduced instruction set computing) microprocessors and its understanding of the "open systems" field.

The HP-Intel chips will run both PC software and open systems software without modification, the companies said. If they can achieve this without sacrificing the performance of existing software, Intel and HP will have a clear advantage over all competitors.

However, HP and Intel do not expect to see the first fruits of their collaboration until late in the decade, giving PowerPC and other rival microprocessor architectures such as Digital Equipment's Alpha time to consolidate their positions. Competitors characterised the alliance as an attempt to catch up with their technology.

"We have a six-year lead on them," said Mr Willie Shih, vice-president of Digital Equipment. "Intel and HP are endorsing our technology direction by developing 64-bit microprocessors, but we have already sold $1bn worth of computers based on our Alpha microprocessor."

IBM similarly maintains that Intel's plans are a defensive move. "This [partnership] affirms our view that Risc is the current and future answer for high performance microprocessors," IBM said. "While HP and Intel are entering the research phase we already have chips and products on the market."

However, by merging their long-term research and development efforts, HP and Intel will bring huge resources to their efforts to create a new generation of microprocessors that, they say, will leap-frog their competitors products. Although the companies declined to discuss financial arrangements, they indicated that both expect to spend hundreds of millions of dollars on the effort.

Such resources can only be matched, at present, by the IBM, Motorola, Apple Computer PowerPC team. This raises questions about the future of rival microprocessor standards from Digital Equipment, Sun Microsystems and others.

Analysts have long predicted that only two or three microprocessor architectures will have a significant role beyond the end of the decade. Now it appears that consolidation may be under way.

Still, Intel and HP face significant technological and management challenges. Their partnership holds great promise but – like many other alliances in the computer and semiconductor industries – it could prove barren unless both sides prove willing and able to collaborate fully.

Ford aims to increase car sales in Japan

By Kevin Done, Motor Industry Correspondent

Ford, the US motor vehicle manufacturer, has launched an aggressive strategy to gain a bigger share of the Japanese new car market.

It has begun to export right-hand drive cars to Japan for the first time from the US and from Europe, and has also set prices in Japan which undercut many rival import models.

The group, the world's second largest manufacturer of cars, has benefited from the strong appreciation of the yen, and claims that in some cases its products are now priced below similar models from domestic Japanese competitors.

Ford has already increased its holding in Autorama, its Japanese distribution channel, to 45.1 per cent to give it parity with Mazda, its 24.5 per cent-owned Japanese affiliate.

Ford's trademark is replacing the Autorama name on Ford dealers' signs throughout Japan, and it has begun to expand dealer outlets through other channels with the opening of the first three Nissan/Ford dual dealers.

Previously, most of the cars sold under the Ford marque in Japan have been rebadged Mazda products.

But the US company has now launched a strategy to give equal importance to the sale of imported cars in the Japanese market.

It has set itself a target of selling around 200,000 cars a year in Japan by the year 2000, of which half would be imports (chiefly from Ford plants in North America and in Europe) and half would be rebadged Mazdas.

Last year, it sold 39,753 rebadged Mazdas, such as the Ford Telstar (Mazda 626) and the Ford Laser (Mazda Familia/323), in Japan, while sales of Ford cars imported from the US totalled only 5,111.

This month, Ford has launched in Japan right-hand drive versions of its European-built Mondeo, which is produced at its plant at Genk, Belgium, and has begun to sell right-hand drive versions of its Probe coupé, which is built at AutoAlliance, its 50:50 joint venture plant with Mazda, in the US.

Apple Computer director resigns

By Louise Kehoe in San Francisco

Apple Computer announced that Mr Paul Stern had resigned from its board of directors, just six months after joining, "to avoid any perception of conflict of interest".

Mr Stern, a former chief executive of Northern Telecom, the Canadian telecoms group, is now a limited partner with Forstmann Little, a private investment firm.

He is also a member of the board of directors of General Instruments, an electronics manufacturer active in the market for cable television set-top boxes.

Apple plans to enter that market through an alliance, announced last month, with IBM and Scientific Atlantic, one of GI's main competitors.

Court ruling hits Baby Bell competitors

By Martin Dickson in New York

Shares in several upstart North American telephone companies fell sharply late on Friday after a court overturned new regulations meant to help them compete against the established Baby Bell US local telephone monopolies. The Bell companies hailed the ruling as a significant victory.

A federal appeals court in Washington overturned a 1992 ruling by the Federal Communications Commission, the government agency which oversees the telephone industry, which required local monopolies to set aside space in their central offices for competitors to place equipment allowing them to inter-connect lines with the monopolies' networks.

The Bell companies say such "physical co-location" of equipment is not necessary to promote competition and prefer to have "virtual co-location", with competitors' lines connected from locations near, but outside, their central offices.

The court said the FCC had overstepped its legal authority and ordered it to re-examine its decision.

The ruling is not expected to prevent competition coming to the local telephone market, but it could slow its progress. The uncertainty created by the court's ruling could make state telecommunications regulators more wary about forcefully backing new rivals to the Bells.

Shares hit by the ruling included Omaha-based MFS Communications, which serves corporate customers in more than a dozen cities and fell $3⅞ to $24⅞ at Friday's close.

Ice-cream retail war hots up in China

Western entrants have the locals licked, reports Tony Walker

One of 300m potential customers

When the Great Australian Ice Creamery opened its first retail outlet in China last week, it marked the latest shot in one of China's hottest retail wars.

While the Australian company may not be a household name internationally, some of its competitors are – notably Walls of the UK, which began producing its best-known brands in Beijing this month.

Walls is investing US$50m in a Beijing factory and retail outlets in its efforts to capture a share of the China market, which is only now being introduced to western-style ice-cream.

Mr Bob Smith, general manager of Walls (Beijing), said that by any standards China, with its 300m urban dwellers, was a huge market – bigger, in fact, than continental Europe, where Walls is the dominant brand.

"All the indications are that Chinese people like eating ice-cream and eating food out-of-doors," he said.

Western ice-cream companies entering China have been flying by the seats of their pants, in the sense that they have concluded that researching the market would be futile.

"To be absolutely honest, we did very little research," said Mr Smith. "We decided the best way to find out was to come here and get established."

Walls, which is part of the Anglo-Dutch Unilever group, signed a joint venture agreement in 1992 with a Chinese company called Sumstar, an offshoot of the old ministry of light industry. Under the agreement Walls is an 85 per cent shareholder with Sumstar a 15 per cent partner.

Walls' main competitor at this stage is Bud's Ice Cream of San Francisco, which in 1991 began producing ice-cream at a factory in Beijing. Its output has reached 1.5m gallons annually, using local milk and cream. Investment in its Beijing venture is $1.6m, with a further $1m planned.

Ms Alice Chiu, marketing manager of Bud's, said the company did not worry too much about the competition. "The market is simply so huge," she says.

The Chinese market is crowded with local producers. In Beijing alone there are some 600, but they are hardly competitors to foreign entrants since their products, sold for a few cents, consist mostly of flavoured ice.

Apart from Walls and Bud's, other foreign manufacturers in the field include Kraft General Foods, which recently launched a small range of "cup" products under its Kibon brand name used in Brazil, where it is market leader.

But in light of Unilever's recent takeover of Kraft's US ice-cream making arm, it is not clear whether the US company will continue its fairly small operation in Beijing. Kraft's representative in Beijing declined to comment on its ice-cream plans in China.

Nestlé, the Swiss company, is also pushing into the China market with its Dairy Farm brand. It has begun producing in southern China and plans a joint venture in Beijing. Other joint ventures include Meadow Gold, linked with Malaysian interests, and Louis D'or, launched with Taiwanese capital.

Companies like the Great Australian Ice Creamery and Baskin Robbins of the US differ from other producers in that they are establishing boutiques selling "scooping ice-cream". The Australian company opened its first near Beijing zoo and has plans for two others, one near the Great Wall.

Mr Smith said Walls would concentrate its efforts initially in the Beijing area, where it had already established 500 outlets with 3,000 planned by the end of the month in shops and hotels.

"It's early days but things have been going exceptionally well. People appear prepared to pay for quality," he said.

Walls is able to secure 70 to 80 per cent of raw materials in the local market, the exceptions being high-quality chocolate and flavourings. It imports about half the materials required for packaging but hopes that in time it will be able to source most of its product and packaging locally.

A Walls Cornetto sells for Yn3.50, which is about 40 US cents, or much the same price as a can of Coca-Cola in China. With urban incomes rising, this is well within reach of an increasing number of Chinese who would not be seen dead eating a locally-produced bing gur, or flavoured ice.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Martin Dickson in New York

California dreaming of recovery

The US is not so much a single economy but an agglomeration of regional ones with their own, varied business cycles, and for the past three years California, the biggest single state economy, has been sunk in recession, badly trailing the national recovery in business activity.

Now, however, California is showing the first glimmerings of an economic upturn, with a fragile recovery in housing and a modest increase in employment from the trough of late 1993. Is the "golden state," which lost its image of boundless opportunity during the recession, about to regain it once more ? And if so, how can investors benefit?

A report out this week from a well known research group, the cumbrously named Center for the Continuing Study of the California Economy (CCSCE), points out that venture capital fundings in Silicon Valley reached record levels in 1993 and the first quarter of this year: evidence, it says, that the state's recession was not caused by a broad based, permanent loss of strength.

California, it argues, still has strong long-term growth potential – provided the politicians are prepared to put money into critical investments in education and infrastructure.

The group points to the strength of the state's high technology industries, its excellent position for trading with the fast-growing nations of Latin America and the Pacific Rim, and its strong population growth. This, it predicts, will produce a 27 per cent increase in employment between 1993 and 2005, well ahead of a 17.5 per cent national average.

Long-term, this argument looks plausible. But it should not not obscure the short-term problems which suggest that California's economic recovery will be a slow one.

Two factors have made the recession here particularly long-lasting: the bursting of a property bubble, and a sharp drop in both US defence spending and the global civil aerospace business.

Both are heavily concentrated in the south of the state, and, indeed, it is probably more correct to call the recession a Southern California phenomenon. More than 70 per cent of the state's job losses have occurred in one southern county – Los Angeles. The north of the state, led by a buoyant Silicon Valley, has largely tracked the national recovery.

In the south, however, the contraction of the defence industry is permanent, and may yet have some way to go, while the civilian aerospace side is barely out of its cyclical trough.

It remains uncertain that commercial real estate values have touched bottom. Some large Japanese corporate investors, who bought at the top of the cycle, are rumoured to be on the point of selling.

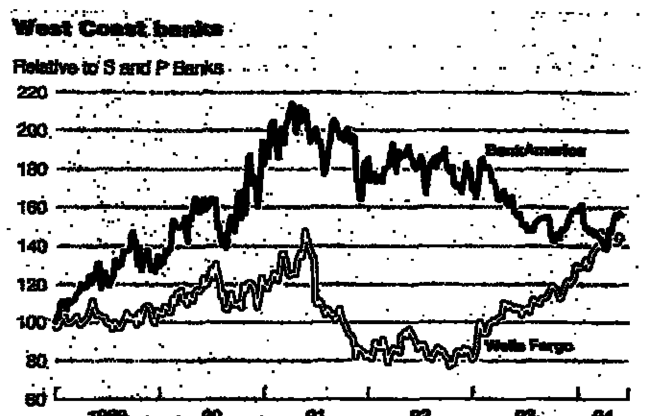
The area also faces formidable problems of traffic congestion, crime, environmental degradation, and racial tension, as well as the aftermath of January's earthquake.

Nor do the obvious stock market plays on a Californian recovery look particularly generously priced. Among the banks, BankAmerica, with flat earnings for the past 13 quarters, has a price/earnings ratio broadly in line with the super-regional universe, while Wells Fargo, which has enjoyed a surprisingly strong share price over the past two years, is discounting a fair amount of good news.

In telecommunications, Pacific Telesis, the state's phone company, faces increasing competition from newcomers wanting to break its monopoly and large capital outlays.

It recently spun off its fast growing wireless business into a newly quoted company known as AirTouch. This has a strong spread of cellular and paging interests not just in California, but in other parts of the US and Europe.

It has a good track record and more than $1.5bn of flotation cash in its pocket. The shares are not cheap, but they represent a means of riding recovery on both the West Coast and in Europe, as well as a stake in the explosive worldwide growth of wireless communications.



Total return in local currency to 2/6/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.08	0.04	0.10	0.11	0.14	0.09
Month	0.37	0.19	0.44	0.48	0.67	0.43
Year	3.81	3.31	6.66	6.63	10.19	5.81
Bonds 3-5 year						
Week	0.64	-0.35	0.22	0.54	0.32	0.67
Month	1.94	-0.34	-0.84	-0.71	-1.22	0.13
Year	1.55	6.39	6.46	5.65	14.91	4.33
Bonds 7-10 year						
Week	0.83	-0.89	1.02	1.73	1.15	1.04
Month	2.71	-1.08	-1.63	-1.41	-3.02	-0.31
Year	0.43	7.76	4.73	4.36	17.93	3.71
Equities						
Week	0.1	1.2	-0.2	1.1	2.7	1.8
Month	3.9	6.4	-4.4	-4.5	-6.7	-2.4
Year	5.4	5.9	25.7	13.6	44.4	10.3

Source: Cash & Bonds - Lehman Brothers. Equities © NatWest Securities.
The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Fed policy

Global markets are likely to be influenced strongly this week by a cluster of US economic statistics which could significantly affect the timing of the next tightening by the Federal Reserve.

For much of the past month US bond prices have rallied on the hope that the Fed's half a point tightening in May will be sufficient to slow the US growth rate and thus the threat of inflation.

But growing doubts about this optimistic picture emerged last week, with statistics suggesting that the loss in momentum might not be as great as Wall Street is hoping, and a continuing surge in the price of industrial commodities.

Last week's statistics were relatively minor, but those due out this week are not. And any that emerge worse than the Wall Street consensus could knock bonds hard, since that would increase raise the prospect of further tightening by the Fed at its policy making meeting on July 5-6 .

That still seems unlikely. Various Fed governors have been quoted over the past week as saying that inflation is under control. Even Mr Alan Greenspan, the Fed chairman, said at a London conference that price data had been "clearly restrained," though he added the rider that this was historical data.

Yet as Mr Lawrence Lindsey, another Fed governor, points out, the Fed funds rate is still only about 1½ percentage points above inflation, compared to an historical average closer to 2. A truly neutral Fed policy implies more tightening before the year is out, and there is a distinct possibility of a summer move - the FOMC also meets on August 16 - if growth remains robust. The rally of the past fortnight may be no more than a bounce in a bear market.

COMMODITIES — Richard Mooney

Opec needs to tread carefully

With oil prices having enjoyed a modest but, to producers, welcome rally over the past month or two, one of the main tasks of delegates at the Vienna meeting this week of the Organisation of Petroleum Exporting Countries will be to avoid damaging the market's new-found buoyancy.

The scope for influencing the market positively seems very limited, but from the opening of the meeting on Wednesday traders will be watching for signs of a weakening in members resolve to maintain a reasonable degree of discipline on export quotas.

Prices are about $3 higher than they were when the Opec ministers last met in March and agreed to keep the overall output ceiling at 24.52m barrels a day for the rest of year. Output has remained closer to 25m b/d but that has not deterred buyers, many of whom see demand for Opec oil growing to about 26m b/d by the final quarter.

Traders warn, however, that any talk of quota reductions, most likely from Iran, the chief price "hawk", could backfire if the cuts failed to materialise.

Iran could also pose a threat to the cartels' perceived solidarity through its persistence in maintaining the candidacy of Mr Kazempour Adebili, its ambassador to Japan and representative on the Opec board of governors, for the Opec secretary-generalship in place of Dr Subroto of Indonesia.

"All of the rest of Opec, including Saudi Arabia, is in favour of [ex-Venezuelan oil minister Alirio] Parra simply on his merit alone, but it must be a unanimous decision," one of the Gulf Arab delegates told the Reuter news agency on Friday.

● Other events this week include a three-day International Precious Metals Institute conference starting in Vancouver today and, from tomorrow for four days, a European Metals conference in Freiburg, Germany, at which Mr Philip Crowson, chief economist of RTZ Corporation, will be among the speakers.

Economics Notebook

Employment challenge

Globalisation is one of those ugly words impossible to avoid when discussing the world economy. It is defined by the Organisation for Economic Co-operation and Development as a widening and deepening of companies' operations across borders to produce and sell goods and services in more markets. It involves international investment, trade and collaboration for the purpose of product development, production and sourcing, and marketing.

Last week, in its Jobs Study, the Paris-based OECD cleared globalisation of contributing significantly to the sharp rise of unemployment in the industrialised countries to about 35m today.

Although the OECD said international economic integration had produced more intense competition and a greater need for economic adjustment among its member countries, it claimed that it had also yielded increased efficiency and welfare.

Globalisation has, however, produced sweeping changes in recent years. The chart shows how strongly world wide outflows of foreign direct investment grew in the 1980s. The average annual increase was 29 per cent between 1983 and 1989, nearly three times faster than trade and almost four times faster than world economic growth.

The annual number of international collaboration agreements among companies doubled during the 1980s. In manufacturing, international sourcing of components and intermediate goods used to make finished products grew faster than domestic sourcing and now accounts for at least half of imports by the big industrial countries.

Behind these broad figures, there was, the OECD says, "a turbulent process of birth and death of firms, the rise and fall of whole sectors of activity and the reallocation of production within, as well as between, regions and countries". This resulted in the wholesale destruction of many jobs, perhaps one in 10 a year, but the creation of a similar number of new ones.

However, these manifestations of globalisation were largely concentrated in the industrialised countries.

In their recent study, Europe in 1998*, economists from the Ereco consortium of European economic institutes described the 1980s "as a lost decade for developing nations".

The OECD calculates that exports from low-wage countries account for only 1.5 per cent of overall spending on goods and services in its member countries. On present evidence, it concluded, the impact of imports from low wage countries was "too small to account for a significant part of either current unemployment or falling relative wages of the low skilled" in the industrialised world.

This analysis, however, was based on conditions in a world that no longer exists. It is debatable whether globalisation will remain such an intra-OECD phenomenon following the collapse of communism.

At a seminar organised by the Guardian newspaper last week, Prof Fritz Scharpf of Germany's Max Planck Institute pointed out that the end of the Soviet Empire had made it safe for companies to invest in low cost countries without fear of expropriation.

In a paper prepared for ministers at its annual meeting last week, the OECD acknowledged that globalisation was rapidly involving China and the fast growing Asian economies as well as parts of Latin America and eastern Europe.

Ereco expects that the recession-induced slowdown in foreign direct investment in the early 1990s, shown in the chart, will be followed by an increase of about 50 per cent in the world stock of such investment by 1998.

The consortium has forecast a doubling to $80bn in the annual flow of foreign direct investment to the developing world between 1992 and 1998. That would lift the developing countries' share of the world stock of foreign direct investment from the present 20 per cent to 25 per cent.

Globalisation could therefore have a far more pronounced impact on employment in the industrialised nations in the years ahead.

The good news is that markets in developing countries will be growing fast. But so will be their skills. As Ms DeAnne Julius, the chief economist of British Airways, and Mr Richard Brown, a UK economic consultant, point out in the London Business School's latest International Economic Outlook**, South Korea had more 20 to 24 year olds in education as a proportion of the population than either France or Germany in the late 1980s.

The lesson drawn by both Ereco and Brown and Julius is that the OECD countries must focus more on the provision and international trade of services. Brown and Julius warn that manufacturing jobs will become increasingly low paid in the mature economies.

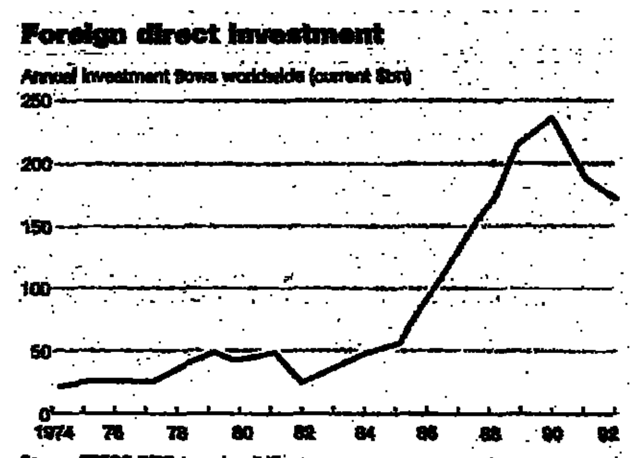
According to Ereco, the future will see an increasing hybridisation of manufacturing and service activities at intra and inter-company levels. The consortium cites a Swedish study, showing that already as little as a fifth of labour costs in manufacturing companies goes towards the actual process of manufacturing and assembly. New technologies and materials require more complex distribution networks so that marketing, distribution and after sales service will be of more importance in employment terms.

The OECD is commonly described as the club of the world's leading industrialised countries. If these predictions prove true, a new definition will be needed very soon.

**Details from Cambridge Econometrics, tel UK 0223 460 760*

***Details from Centre for Economic Forecasting, LBS, tel UK 071 262 5050*

Peter Norman



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	FRIDAY JUNE 10 1994: US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY JUNE 9 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (89)	173.65	4.1	170.71	114.08	150.51	157.20	-3.9	3.51	174.06	171.17	114.60	151.32	157.75	189.15	139.19	133.28
Austria (17)	179.79	-2.8	176.75	118.09	155.89	155.49	-6.6	1.03	176.54	173.60	116.23	153.46	153.33	195.41	149.90	145.49
Belgium (37)	165.93	2.0	163.12	108.99	143.82	140.44	-3.1	3.93	165.47	162.72	106.94	143.84	140.45	176.67	149.02	148.47
Canada (108)	129.36	-4.7	127.17	84.97	112.12	126.64	-1.2	2.63	128.69	126.56	84.73	111.87	128.05	145.31	121.46	127.43
Denmark (33)	253.74	2.6	249.45	166.67	219.93	224.63	-1.7	1.31	251.25	247.08	165.42	218.41	222.95	276.79	207.58	214.82
Finland (23)	137.37	11.5	135.05	90.23	119.07	159.46	6.6	0.91	139.06	136.77	91.56	120.90	161.87	156.72	88.54	89.56
France (97)	165.73	-5.8	162.93	108.86	143.65	147.49	-9.5	3.05	165.66	162.93	109.08	144.03	148.00	185.37	149.60	165.41
Germany (58)	136.08	-3.0	133.78	89.38	117.94	117.94	-6.8	1.75	135.47	133.22	89.18	117.78	117.76	147.07	107.88	112.52
Hong Kong (56)	372.88	-23.8	366.58	244.93	323.20	370.43	-23.7	3.21	376.63	370.38	247.96	327.41	374.14	508.56	271.42	296.72
Ireland (14)	185.38	0.1	182.25	121.77	160.68	177.83	-4.0	3.42	185.25	182.18	121.97	161.05	177.40	200.33	186.89	189.57
Italy (60)	89.22	30.1	87.71	58.60	77.33	107.21	22.3	1.49	88.24	86.78	58.10	76.71	106.65	97.78	57.88	89.84
Japan (468)	163.95	26.0	161.18	107.69	142.10	107.69	17.3	0.71	164.56	161.89	108.34	143.06	108.34	185.91	124.84	163.47
Malaysia (98)	470.82	-20.4	462.87	309.27	408.10	470.82	-23.3	1.71	451.67	444.18	297.37	392.85	451.59	621.63	312.61	344.73
Mexico (18)	2065.40	-13.6	2030.49	1356.68	1790.19	7672.88	-6.6	1.03	2080.36	2028.15	1356.49	1791.07	7547.65	2647.08	1438.19	1462.29
Netherland (26)	199.13	0.0	195.77	130.80	172.60	169.86	-3.8	3.30	197.54	194.26	130.06	171.72	168.92	207.43	164.22	169.25
New Zealand (14)	69.84	2.9	68.67	45.88	60.54	62.99	-2.3	3.78	69.76	68.60	45.93	60.64	62.94	77.59	48.57	48.57
Norway (23)	183.25	2.0	180.15	120.37	158.83	179.69	-2.0	1.84	182.20	179.17	119.95	158.38	179.01	206.42	160.61	180.98
Singapore (44)	341.10	-7.2	335.33	224.05	295.65	241.08	-11.6	1.75	341.40	335.74	224.77	296.79	241.37	378.92	242.48	256.54
South Africa (59)	274.94	2.9	270.29	180.59	238.30	267.54	14.8	2.18	270.46	265.97	178.07	235.11	284.64	280.26	175.98	194.33
Spain (42)	143.98	3.3	141.55	94.57	124.79	148.75	-1.4	3.88	142.55	140.18	93.65	123.92	147.57	156.79	116.33	129.81
Sweden (38)	213.10	8.5	209.50	139.98	184.71	249.69	3.0	1.60	213.21	209.68	140.38	185.35	250.29	231.35	163.85	178.30
Switzerland (47)	160.33	0.1	157.62	105.32	138.97	139.94	-5.1	1.73	160.28	157.61	105.52	139.33	140.55	176.56	124.40	127.57
United Kingdom (205)	188.32	-8.2	185.13	123.70	163.23	185.13	-8.9	4.06	188.75	183.65	122.95	162.35	183.55	214.86	170.32	176.74
USA (519)	187.05	-1.5	183.89	122.87	162.13	187.05	-1.5	2.87	186.73	183.63	122.94	162.32	186.73	196.04	178.95	181.93
EUROPE (718)	165.39	-1.8	162.59	108.63	143.35	156.37	-5.9	3.00	164.46	161.72	108.27	142.86	154.85	179.58	141.58	148.46
Nordic (115)	202.94	7.1	199.51	133.31	175.90	206.15	2.1	1.45	202.79	189.42	133.51	178.29	206.43	220.60	135.82	165.10
Pacific Basin (750)	171.55	18.3	168.65	112.68	148.70	117.19	10.8	1.03	172.01	169.18	113.25	149.53	117.74	172.01	134.79	158.81
Euro-Pacific (1468)	168.82	8.9	165.97	110.89	146.33	132.66	3.3	1.84	168.70	165.90	111.07	148.65	132.84	170.78	141.98	152.05
North America (625)	183.47	-1.6	180.37	120.52	159.03	183.04	-1.5	2.86	183.13	180.09	120.57	159.19	182.70	192.73	175.67	176.54
Europe Ex. UK (513)	149.27	1.2	146.74	98.05	129.38	136.82	-3.3	2.38	148.67	146.20	97.88	129.24	136.75	157.47	122.37	126.05
Pacific Ex. Japan (281)	247.57	-13.7	243.38	162.62	214.58	222.47	-16.7	2.67	246.69	242.59	162.41	214.45	221.76	296.21	182.38	190.02
World Ex. US (1651)	169.92	8.0	167.05	111.61	147.28	135.96	3.2	1.85	169.73	166.91	111.75	147.55	136.10	172.51	142.94	152.42
World Ex. UK (1965)	173.24	5.7	170.31	113.80	150.16	148.61	2.8	2.02	173.13	170.26	113.99	150.51	148.74	176.56	153.22	162.78
World Ex. So. Af. (2111)	173.98	4.5	171.04	114.28	150.80	150.99	1.3	2.21	173.78	170.89	114.41	151.07	151.01	178.56	166.00	161.16
World Ex. Japan (1701)	182.50	-2.8	179.41	119.87	158.18	177.13	-4.2	2.88	181.84	178.82	119.72	158.07	178.66	195.20	165.72	167.43
The World Index (2170)	174.59	4.5	171.64	114.68	151.33	152.01	1.4	2.21	174.36	171.46	114.79	151.57	152.01	178.97	136.17	161.29

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.32 (Local). Constituent change with effect 14/6/94: Addition: K.P.N. (Netherlands). Constituent changes during the week ending 10/6/94: Additions: Powerfin (V V P R) and Tractebel (V V P R). Deletions: Powerfin A, Tractebel A, C and D (all Belgium). Name change: Illinois Power to Illinova Corp. (USA).

EMERGING MARKETS: This Week

The Emerging Investor / David Horovitz

Tel Aviv declines against a rosy background

The figures make *depressing* reading.

The Tel Aviv stock exchange has been declining steadily for the past five months and at the end of last week the general share index stood at 185.45 – a slight improvement on the previous week's 20-month trough of 176.21, but still far from its mid-January height of 258.36.

The index yesterday closed at 189.21.

In May alone, the average investor lost 27 per cent on share dealings and, that same month, companies traded on the exchange *lost* Shk37bn (about $12bn) in paper value.

Although most of the day to day falls have been minor, the cumulative effect has analysts comparing the decline to crashes in years past.

Particular comparisons are drawn with October 1983, when revelations of an illegal bank share manipulation sent shares into free fall, losing by as much as 90 per cent of their value.

Yet the spring and early summer of 1994 have seen no hint of any similar widespread stock market scandal. And, in *contrast to other* past rapid market declines, the economy is generally in buoyant shape.

Prof Jacob Frenkel, the governor of the Bank of Israel, has predicted 5 per cent growth in the economy this year, with 8 per cent growth in exports and unemployment levels falling from 10 per cent to 8.5 per cent.

So with such an apparently rosy economic background, why is the stock market plunging?

*And why is investor confi*dence so low when the exchange has attracted an estimated $2.5bn in foreign investment, which increased tenfold between 1988 and 1993, and rose 25.5 per cent in 1993?

A group of economists on the Knesset Finance Committee Capital Markets Subcommittee has attempted to find explanations.

Mr Sam Bronfeld, the direc*tor of the Tel Aviv stock* exchange, asserted that the non-appearance of an anticipated "peace dividend" following the Israeli-PLO agreement on limited autonomy for the Gaza Strip and the Jericho area of the West Bank was a significant factor.

The market had risen on hopes of accelerated growth and massive new investment following last September's White House signing of the framework peace accords. But it was now falling amid realisation that such investment was slow in coming.

Analysts have also pinned some blame on the crisis surrounding Kupat Holim Clalit, Israel's largest health insurance fund, now on the brink of collapse with debts of Shk1.2bn.

Only a few large pharmaceutical companies have so far been directly affected. But hun*dreds of private* companies that supply the health fund are now braced for a blow, and the economy as a whole will be *asked to share the burden.*

While these factors may have played some part perhaps a more significant cause has been the disappointing first quarter results reported by many companies.

Dozens of companies held back from issuing their results until the final deadline two weeks ago, and almost across the board there were reports of falling turnovers and declining *profits.*

Excuses were many and various. They included falling prices worldwide (in the case of the giant Israel Chemicals concern, for example); on increased competition (which hit the Tempo beer and soft drinks company, marketer of *Pepsi in Israel); on shekel-dol*lar exchange rate fluctuations unfavourable to exporters; on staff salary increases stemming from good company performances last year; and on the falls on the stock exchange itself, where many companies had invested surplus funds.

Mr Yair Sidel, who reports on the Tel Aviv stock exchange for Israel Radio, said that the instability of the market had now reduced foreign investment to a minimum and led to the scuppering of plans by a leading French bank to set up a multi-million dollar fund to invest in the exchange.

Ten best performing stocks

Stock	Country	3/6/94 $ close	Week on week change $	%
Cukurova Elektrik	Turkey	0.2047	0.0634	33.73
Guney Biracilik	Turkey	0.9414	0.2227	30.99
Eregli Demir Ve Celik	Turkey	0.1759	0.0383	27.84
Doktas	Turkey	0.4475	0.0959	27.25
Banco De Brasil (Pfd)	Brazil	0.0189	0.0037	24.22
Koc Holding	Turkey	0.6173	0.1127	22.33
Otosan	Turkey	1.7593	0.2914	19.85
Ege Biracilik	Turkey	2.4383	0.3893	19.00
Koc Yatrim	Turkey	1.0957	0.1630	17.47
Companhia Cervejaria Brahma	Brazil	0.2595	0.0329	14.52

Source: Baring Securities

The Israeli bond market has escaped the worst of the falls, *with the big Israeli banks* among the chief purchasers.

But the stock exchange malaise has now spread to the New York exchange, where about 50 Israeli companies are traded.

The New York-traded Israeli shares began slipping after the *Hebron mosque massacre on* February 25, said Mr Howard Sterling, managing director of Corporate Finance at Oscar Gruss investment brokers in Tel Aviv.

"Seeing the falls in Tel Aviv, the Americans simply followed suit," he said.

But, he added, the "selling frenzy" has eased off a little in the past three weeks.

"Share values have fallen to the point where people are starting to buy again," he said, "and the forecasts are good. The fundamentals are positive. Israel's high-tech prospects are as good as Silicon Valley's were in the 1970s."

Analysts are hoping that the *Tel Aviv exchange will now* follow that faint lead from New York.

The Bank of Israel is also trying to restore stability with new regulations limiting how much credit banks may offer customers to finance stock market investment.

Mr Moshe Mandelbaum, the former Bank of Israel governor, asserted on June 8 that the market had probably now reached its lowest point.

And, said Mr Amiram Sivan, chief executive officer of Bank Hapoalim, Israel's biggest bank, "there is no economic reason for the falling share prices."

But unless there is a sustained rally, said Mr Yerah Nissan, deputy managing director of Bank Hamizrahi, a real crisis of faith could develop, bringing panic selling.

That kind of crisis would have deep implications for the government's already slow-moving privatisation programme.

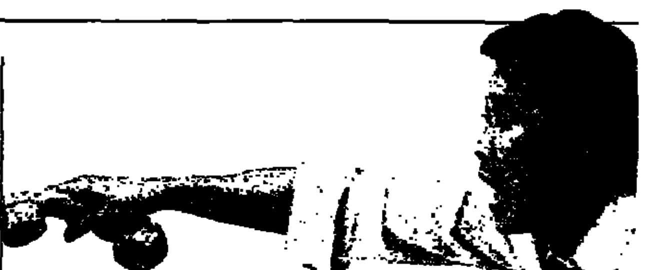
Indeed, when only last week *the government announced* plans to sell 51 per cent of its holding in El Al, the national airline, the first question *analysts* asked was whether the offer would find subscribers in the declining Israeli market.

Most analysts are agreed on one thing: the market and the economic atmosphere overall could benefit from a firmer display of financial management *by Prime Minister Yitzhak* Rabin and his government.

Mr Avraham Shochat, the finance minister, and Mr Benjamin Ben-Eliezer, the housing minister, are widely criticised for their failure to halt the soaring house prices which are fuelling inflation.

In a week that included an Israeli air strike against Hizbollah guerrillas in Lebanon and numerous crises stemming from the Palestinian autonomy accord, Israel's newspapers consistently featured the stock market falls as front page news.

Yet when Mr Shochat was asked to comment on the market slump he merely replied that, yes, "there is a crisis on the stock exchange. But the economy is really moving, and eventually the stock exchange will adjust itself to the economy, not the other way around."



News round-up

■ Thailand

The stock exchange of Thailand has agreed to lower the entry fee for new brokerage seats from the original asking price of Bt350m ($14m) to Bt300m staggered over five years, following complaints from Thailand's 37 sub-brokers and the securities and exchange commission, *writes William Barnes in Bangkok.*

The fees, previously revised from Bt350m to Bt305m, are still above the SEC's suggested Bt200m. Nevertheless the commission has indicated it will allow this revised price to stand.

The 40 full members of the exchange have at least responded to the request of Mr Tarrin Nimmanahaeminda, the finance minister, for an explicit and more open policy on admitting new members. Subject to certain minimum qualifications all sub-brokers, many of whom have foreign joint venture partners, will be allowed full membership of the exchange, perhaps within two or three years.

New brokers will pay Bt200m upfront and then pay 10 per cent of their trading commissions to the exchange for five years or until that total reaches Bt100m, whichever is the sooner.

■ Beirut

The foundation for a revived Beirut stock exchange will be laid on June 23, when secondary trading opens in Solidere, the $1.8bn property development company created earlier this year in one of the Middle East's biggest flotations, *writes Mark Nicholson in Cairo.*

The secondary market in Solidere's 1.8m shares will, said Mr Nasr Chamaa, managing director, as with its launch subscription, be open only to Arab investors. A grey market in the $100 par issue has already seen shares change hands at a 20 per cent premium, bankers say.

Formal over the counter trading will open under the auspices of the Société Financière du Liban, which is jointly owned by Lebanese commercial banks. The trading floor, which will at the same time become the market for Lebanese Pound treasury bills, will at first have seats for about 30 members, the majority being local commercial banks.

CURRENCY MARKETS — Philip Gawith

Markets watch Euro election results

Foreign exchange traders will start the week by trying to assess the impact of the European elections held yesterday and last Thursday.

The countries they will be watching most closely are the UK and Spain where the ruling parties are weak and vulnerable to an electoral setback.

Last Friday sterling *shrugged* off a *dismal, but* widely expected, set of by-elec*tion results for the Tory party.* Another setback in the European poll, however, would inevitably reopen speculation about the political future of Mr John Major, the prime minister.

He has vowed that he will not be driven out of office, but the political uncertainty preceding a leadership challenge in the autumn could weigh on sterling. Some observers argue that a change in Tory leadership could be well received by the market.

Others maintain that the possibility of a Labour government is not in the market, and political developments which *increase this prospect may well* undermine sterling.

Sterling watchers will also have a barrage of economic data on which to feed.

The retail sales and average earnings figures will be closely watched. An expected rise in the latter will encourage the Bank of England to argue for a tightening of monetary policy.

Markets will also keep a close eye on the Mansion House speech of Mr Kenneth Clark, the chancellor. The speech is traditionally a monetary policy set-piece and will be combed for any hints on the future passage of interest rates.

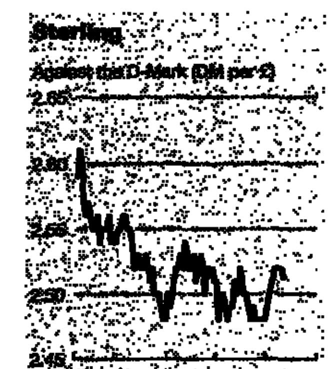
In Spain the European elections coincide with regional *elections in Andalucia*, the stronghold of the socialist government. A setback there will arguably be as damaging as the predicted defeat at the hand of the conservative Popular party in the European poll.

The risk is that if the Socialists do very badly, they will lose the backing of their Catalan allies, which would precipitate an election. This uncertainty would undermine Spanish financial markets and the peseta.

The US also faces a heavy week of financial data which should give analysts a better picture of second quarter growth and the likelihood of another near-term tightening *of monetary policy by the Fed.*

The May consumer price index is released on Tuesday, but other indicators include the Atlanta and Philadelphia Fed indices, retail sales, housing starts, industrial output and capacity utilisation for May.

Analysts believe the data should be good for the bond market, which, if recent performance is anything to go by, will help the dollar.



Source: FT Graphite

Baring Securities emerging markets indices

Index	10/6/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (264)	158.46	+1.10	+0.70	+15.05	+10.49	-9.95	-5.91
Latin America							
Argentina (19)	112.28	-2.60	-2.28	+9.22	+8.95	-3.11	-2.69
Brazil (21)	155.68	+8.29	+5.62	+41.59	+36.45	+16.03	+11.48
Chile (12)	188.74	+1.98	+1.06	+27.05	+16.73	+41.20	+27.93
Mexico (24)	142.25	-2.47	-1.71	+15.35	+12.10	-19.01	-11.79
Latin America (76)	147.50	+0.71	+0.48	+22.45	+17.95	-1.74	-1.17
Europe							
Greece (14)	77.69	-3.81	-4.67	-14.35	-15.59	-5.41	-6.51
Portugal (14)	108.03	-1.53	-1.39	-6.48	-5.66	-4.10	-3.65
Turkey (22)	67.09	+6.17	+10.13	+13.77	+25.82	-94.62	-58.51
Europe (50)	88.94	-0.81	-0.91	-5.25	-5.57	-23.29	-20.75
Asia							
Indonesia (20)	148.28	-1.16	-0.77	+5.69	+3.99	-22.76	-13.31
Korea (23)	126.45	-2.24	-1.74	-5.41	-4.11	+16.75	+15.26
Malaysia (22)	212.32	+6.98	+3.40	+3.56	+1.70	-40.73	-16.10
Pakistan (10)	104.79	-0.45	-0.42	-0.64	-0.60	-6.90	-6.18
Philippines (11)	288.48	-6.64	-2.25	+7.91	+2.82	-33.99	-10.54
Thailand (22)	232.17	+5.40	+2.38	+29.55	+14.59	-31.38	-11.91
Taiwan (30)	148.20	-0.88	-0.59	-0.93	-0.63	-5.51	-3.58
Asia (138)	198.82	+2.36	+2.36	+6.45	+3.35	-22.59	-10.20

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday June 10, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2365.57	1701.31	1020.43	1637.25
Albania	(Lek)	150.55	99.8342	59.8795	96.0759
Algeria	(Dinar)	56.4127	37.4089	22.4376	36.0004
Andorra	(Fr Fr)	8.5519	5.671	3.4014	5.4574
	(Sp Peseta)	205.654	136.375	81.7959	131.241
Angola	(New Kwanza)	148577.46	97199.9	58299.8	93540.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gambia	(Dalasi)	14.6795	9.7339	5.8382	9.3673
Germany	(D-Mark)	2.5142	1.6672	1	1.6044
Ghana	(Cedi)	1389.56	921.472	552.693	886.777
Gibraltar	(Gib £)	1.00	0.6631	0.3977	0.6381
Greece	(Drachma)	377.980	250.65	150.336	241.215
Greenland	(Danish Krone)	9.8153	6.5088	3.9039	6.2637
Grenada	(E Carr $)	4.0849	2.6955	1.6167	2.594
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pakistan	(Pak. Rupee)	46.1741	30.6194	18.3653	29.4665
Panama	(Balboa)	1.5080	1	0.5997	0.9623
Papua New Guinea	(Kina)	1.4251	0.945	0.5668	0.9094
Paraguay	(Guarani)	2706.59	1795.02	1076.64	1727.43
Peru	(New Sol)	3.3025	2.1899	1.3135	2.1075
Philippines	(Peso)	40.8659	27.1	16.2544	26.0797
Pitcairn Is	(£ Sterling)	1.00	0.6631	0.3977	0.6381
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights June 9, 1994 United Kingdom £0.938526 United States $1.41200 Germany DM2.35719 Japan Y147.017 European Currency Unit Rates June 10, 1994 United Kingdom £0.770061 United States $1.16974 Germany DM1.89445 Japan Y120.578

Abbreviations: [illegible] Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Friday June 10, 1994

WORLD BOND MARKETS: This Week

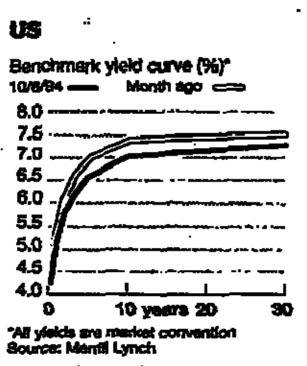
NEW YORK — Martin Dickson

US credit markets face a heavy flow of economic statistics this week, which could unsettle a market which has already lost the momentum from a two-week rally.

The benchmark 30-year Treasury issue fell ⅜ on Friday, with its yield dropping to 7.31 per cent from 7.27 per cent after the release of May producer prices figures.

These showed a drop of 0.1 per cent, but this was due to large falls in volatile food and energy prices. The core rate of inflation rose by a larger than expected 0.4 per cent, raising concern that inflation is gathering speed, and that this will prompt the Federal Reserve to tighten monetary policy again.

The market's more cautious tone will be tested tomorrow with the release of May's consumer price index. Analysts are forecasting an increase of 0.3 per cent, compared with a 0.1 per cent rise in April, with core prices up 0.3 per cent, against 0.2 per cent.



*All yields are market convention
Source: Merrill Lynch

Figures for May industrial production, due on Wednesday, are expected to show a rise of just 0.1 per cent, down from 0.3 per cent in April, partly because of a decline in output from vehicle manufacturers. Operating rates were probably around 83.5 per cent, compared with 83.6 per cent in April.

Retail sales, also due tomorrow, appear to have been uninspiring in May, with sagging sales at car dealerships and chain stores.

LONDON — Philip Coggan

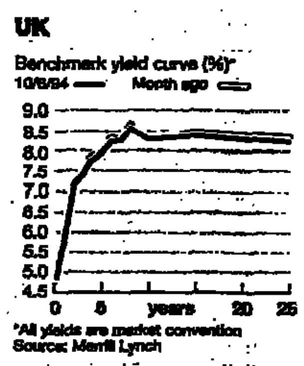
There will be plenty of information for the gilts market to get its teeth into this week, with the normal mid-month flurry of economic statistics.

While the retail prices index and the unemployment numbers represent the "heavyweight" economic figures, the gilts market may be even more interested in the average earnings number. The relentless rise in the underlying annual rate of growth, to 4 per cent from 3 per cent, has been seen as a precursor of future inflationary pressures.

"The market will want to see at least an unchanged annual average earnings rate," says Mr Sanjay Joshi, head of bond research at Daiwa Europe. "The worst-case scenario would be a movement up to 4¼ per cent."

The chancellor of the exchequer's Mansion House speech is a chance for Mr Kenneth Clarke to reassure the markets about the government's economic policies. He has previously appeared much more willing to cut interest rates than the governor of the Bank of England. "What the market will not want to see is an open dispute between the chancellor and Eddie George," says Mr Joshi.

Nevertheless, UK economic fundamentals have not always been the primary factor in determining the direction of gilts in recent weeks.



*All yields are market convention
Source: Merrill Lynch

FRANKFURT — David Waller

The tentative optimism evident in the bund market towards the end of last week may be sustained in the next few days.

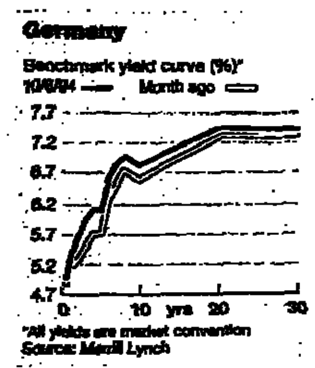
"The tone to the market is much better than it has been for weeks now," Yamaichi International says. "With yields close to 7 per cent and in a noticeably more stable environment, institutional domestic investors are beginning to return."

Investors are likely to focus on the Bundesbank's repurchase agreement on Wednesday. The "repo" rate has dropped by 25 basis points since the last discount rate cut and now stands at 5.10 per cent. If the repo continues to fall at 5 basis points a week, the stage may well be set for another cut in the discount rate as early as July.

This could counteract the pessimism among investors about the direction of German monetary policy.

"The likelihood is still that the Bundesbank drags its heels on the repo to avoid being boxed into a discount rate cut, but the prospects of a pleasant surprise in July are clearly improving," says Ms Allison Cottrell at Midland Global Markets.

On the other hand, the European parliamentary elections could dampen investor interest in bunds if the results suggest a poor outcome for Chancellor Helmut Kohl and his ruling coalition in the national elections later this year.



*All yields are market convention
Source: Merrill Lynch

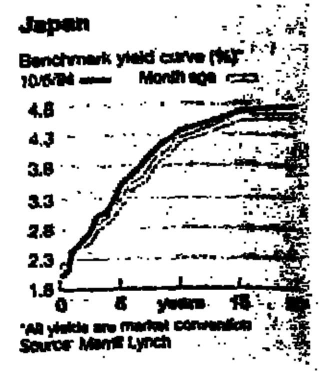
TOKYO — Robert Patton

Japanese government bond prices soared following Friday's release of the tankan quarterly survey of business sentiment. The benchmark 10-year bond yield fell to 4.130 per cent, 10 basis points below the previous Friday's close.

On Friday morning, before the release of the tankan, bond prices fell on the belief that the report would paint a bright picture that would rule out interest rates falling much lower. But when the report, released that afternoon, showed that business expectations were improved but still weak, dealers swung back on the buy side, sending bond prices higher to the close.

Bonds started the week with prices continuing to slide, following the previous week's falls in world markets. On Tuesday, Mr Masaru Hayami, who heads the Japan Association of Corporate Executives, said the economy would improve by autumn without any need for fiscal measures. This triggered an avalanche of selling, but on Wednesday, a rise in the yen triggered by US threats of trade sanctions caused bonds to rebound after eight days of declines.

The market's renewed strength is tempered by the increasingly worrisome North Korea nuclear stalemate. On Thursday, prices fell on reports that the North had been testing a 1,000km range missile, but regained ground near the close.



*All yields are market convention
Source: Merrill Lynch

Capital and Credit / Conner Middelmann

End of the bloodletting in emerging markets

The bloodletting in emerging bond markets has finally stopped, but it may take some time before investors regain some of the confidence that pushed prices to dizzying heights last year.

Although cautious investor buying in recent weeks has bolstered prices and helped yield spreads over US Treasuries tighten, observers warn that the markets remain vulnerable to further upward lurches in US interest rates and political surprises. This may keep a lid on activity, both in the new issues sector and the secondary market.

"Given the political uncertainties, and the unfavourable recent capital market developments, I would not be surprised to see a slowdown in investments in the region this year," Mr Onno van den Broek, general manager at ING Bank, said at an emerging markets conference in London last week.

After a raging bull-run pushed emerging market bonds sharply higher in 1993, a dramatic turnround, triggered by the Federal Reserve's tightening and political and economic shocks in Latin America, sent prices into free-fall.

J.P. Morgan's emerging markets bond index posted a total return of 44.17 per cent in 1993, before falling by as much as 22 per cent to its low on April 4. Since then it has recovered slightly, but is still down 13.3 per cent in the year to date.

Since the correction, "people have become more risk-averse – investors are gaining a bit of confidence, but the market will be slow to regain its composure," says Mr Brian Lazell of J.P. Morgan in London.

However, he and others say they have seen new investors entering the market. "All the large customers who were in the market in the third quarter of 1993 are still invested, and there have been new investors coming in," says Mr Stephen Dizard of Salomon Brothers in New York.

"We've seen new people enter the market who felt it was oversold and saw this as a buying opportunity," echoes Mr Lawrence Brainard of Chase Securities in New York.

However, "the threat of higher US interest rates is still overhanging the market," warns Mr Peter West of West Merchant Bank in London, although he says "there may be room for further recovery" if the yield on the US long bond continues trading in a 7.2 to 7.5 per cent range.

Latin American elections will also keep investors on their toes. While Mexico's PRI party is expected to remain in government after the August elections, the outcome of Brazil's elections in October is less clear-cut, with leftist opposition candidate Mr Luis Inacio Lula da Silva currently leading in the opinion polls.

"Emerging markets are macro-driven, which makes them very sensitive to politics," says Salomon's Mr Dizard. "You can expect to see a lot of volatility out of Latin America this year."

But this should not daunt fund managers, he says. "They just have to manage their portfolios actively and may want to avoid exposure to certain markets at certain times. There is enough value in fundamentally sound countries such as Argentina and Mexico – you don't have to make dicey calls. But having some exposure to markets like Brazil and Venezuela can help boost performance."

Amid this uncertainty, new issuance in the eurobond market has slowed to a trickle, leaving an estimated $2bn–$3bn of new issue mandates piling up in underwriters' desk drawers as borrowers await more favourable conditions.

In the year to date, Latin American borrowers have raised the equivalent of $7.6bn in eurobonds, compared with last year's $25.3bn total, according to IFR Securities Data.

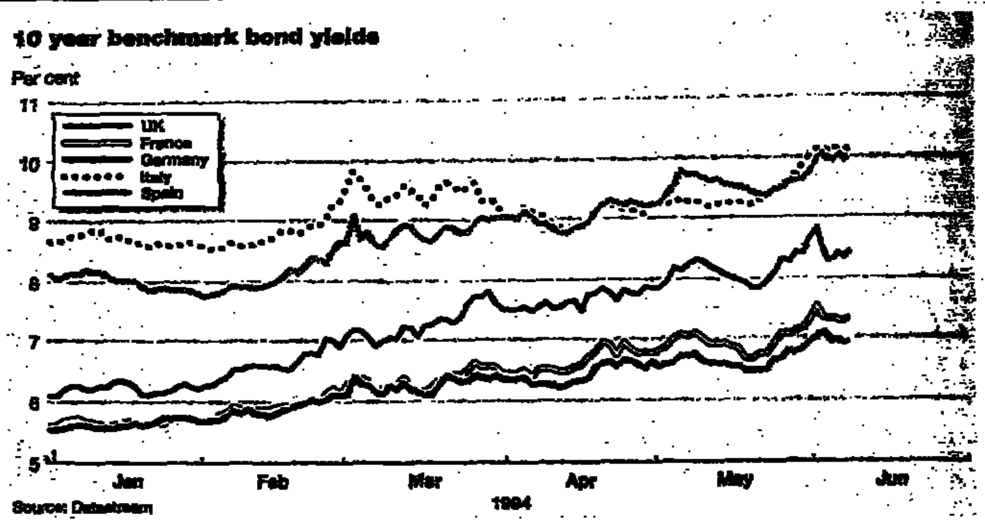
Eurobond yield spreads over the underlying government bonds widened sharply during the sell-off, making emerging market borrowers more reluctant to tap the market. "For any size, deals will have to err on the generous side, and that's holding issuers back," said a syndicate official in London.

Still, several Argentinian borrowers are expected to emerge soon, including the Province of Buenos Aires, Sodigas and Banco del Sud. The Republic of Argentina is expected to raise between DM400m and DM500m in short-dated bonds this week.

Elsewhere, the government-owned Industrial Development Bank of India is poised to issue the first straight eurobond by an Indian borrower in four years. Market talk is of $100m of five-year floating-rate notes with a put option after three years, rumoured to be led by J.P. Morgan.

One syndicate manager says he hopes eurobond investors "learnt an important lesson" from the recent carnage, namely that they should pay more attention to credit considerations and fundamental factors, and less to the high returns some bonds may offer.

Moreover, he says, they should ensure that the lead managers of new issues are committed to making a liquid secondary market in the paper. Lastly, he said "issuers and underwriters need to have a responsible attitude to ensure issues are appropriately priced, get placed and don't weigh on the market".



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.50	1.75	4.50	6.40¹	7.00	5.25²
Overnight	4.13	2.03	4.88	5.45	7.43	4.25
Three month	4.22	2.06	4.90	5.41	7.62	5.00
One year	5.17	2.43	5.09	5.63	8.00	5.90
Five year	6.58	3.44	6.19	6.70	9.79	8.05
Ten year	7.01	4.17	6.88	7.25	9.96	8.37

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	105-22	105-08	-0-15	106-03	105-02	24,161	90,183
Sep	104-26	104-10	-0-16	105-07	104-03	266,267	384,141
Dec	104-04	103-22	-0-16	104-16	103-16	1,192	36,319

International / Antonia Sharpe

Hopes raised for return to stability

Signs that, at long last, investors are prepared to take their chances on new issues which they believe to be attractively priced have raised hopes that after several difficult months, some degree of stability has returned to the eurobond market.

Among last week's issues, the three deals which appeared to have worked the best were the Province of Ontario's $1bn offering of 10-year global bonds (its first global deal in its new fiscal year), Wal-Mart Stores' $250m issue of five-year eurobonds and the $250m issue of 10-year eurobonds from Unilever.

"When a deal is fairly priced, it is selling well," says Mr Simon Meadows, joint head of syndicate at CS First Boston, adding that one month ago this would not have been the case. However, while there is evidence that the market has stabilised, it will take a long time for activity to return to the levels seen at the start of the year, he says.

Closer inspection of these deals suggests that issuers are having to scale down the size of their offerings and give up several basis points on pricing in order to encourage investors to buy the bonds.

"Last year, if Ontario's bonds were trading at a yield spread of 64 basis points over Treasuries in the secondary market, it could raise $2bn at 63 over," says one syndicate manager. "But this year, Ontario has to make do with $1bn at 67 over."

The market has also been unwilling to believe estimates from the book-runners that 60 per cent of Ontario's bonds were placed with investors in North America. Many syndicate managers say that as much as 80 per cent went to North America, which reflects badly on the level of demand in Europe, where investors have been badly hurt by the sharp slide in European government bonds this year.

"The market is still in a sensitive state, and as the Unilever deal shows, it is still a domain for the tip-top names," says Mr James Garvin, head of syndicate at S.G. Warburg.

Investors who are willing to return to the market are selective about currencies, although they appear to be more comfortable with longer maturities than they were only a few weeks ago. Deals denominated in dollars and yen remain the most attractive, while the recent rush of Canadian dollar offerings has appealed mainly to retail investors wishing to roll over expiring Canadian dollar holdings. Redemptions of Canadian dollar eurobonds are estimated at C$1.9bn this month, C$500m in July and C$1.9bn in August.

There is some speculation that last week's successful deals will prompt more dollar offerings this week, including a five-year global issue from a European sovereign borrower. The market can also expect the first global offering from Freddie Mac, the US government agency, to emerge in the next three weeks. The mandate for the issue, which is likely to raise $1bn and have a maturity of five years, has been awarded to Goldman Sachs and Salomon Brothers.

By contrast, deals denominated in sterling, French francs and D-Marks are having a rougher ride, mainly due to continuing interest rate uncertainty in the underlying bond markets, though structured deals denominated in Italian lire have been popular. Many issuers who want to access these sectors of the eurobond market are waiting for the results of the European parliamentary elections, since a large protest vote could unleash a fresh bout of volatility in government bond markets.

Argentina is also expected to show some flexibility on pricing when it braves the D-Mark sector this week. It is expected to raise between DM400m and DM500m through an issue of short-dated eurobonds, via Deutsche Bank. The three-year bonds are likely to be priced to yield between 220 and 240 basis points over the corresponding German government notes, which compares with a secondary market yield spread of 200 basis points on Argentina's outstanding five-year bonds.

NEW INTERNATIONAL BOND ISSUES

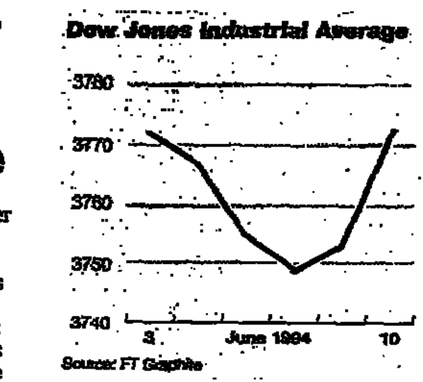
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Sapporo Breweries(i)‡	200	Jun.1998	2.875	100.00	-	-	Yamaichi Intl.(Europe)
Chugoku Marine Paints(e,h)§	60	Sep.1998	2.00#	100.00	-	-	IBJ International
BIGS No.2(l)	100	Apr.2023	1.00#	69.25	9.90	+270(8¼%-23)	Lehman Brothers Intl.
DKB International(g)‡	80	Jul.2004	(g1)	100.25R	-	-	DKB International
Advance Bank Australia‡	250	Jun.1999	(i)	99.78R	-	-	JP Morgan Securities
Walsin Lihwa Corp.(m)§	75	Jun.2004	3.25	100.00	-	-	Daiwa Europe
Province of Ontario	1bn	Jun.2004	7.625#	99.861R	7.645	+67 (7¼%-04)	Goldman/ Salomon
Wal-Mart Stores	250	Jun.1999	6.875	99.75R	6.936	+32 (6¾%-99)	Goldman Sachs Intl.
Corp. Andina de Fomento‡	125	Jun.1999	(o)	99.625R	-	-	Goldman Sachs (Sing.)
European Investment Bank	500	Jun.1999	6.625	99.53R	6.739	+10 (6¾%-99)	Nikko Europe
Unilever	250	Jul.2004	7.25	99.192R	7.367	+28 (7¼%-04)	Deutsche/ JP Morgan
Aguila Securities(B)★	100	Sep.1994	zero	98.556	6⅛	-	Samuel Montagu
Banco del Suquia	50	Jul.1996	10.00#	99.10R	10.51	+475(5⅞%-96)	Swiss Bank Corp.
Banco del Sud	50	Jul.1997	10¼#	100.00R	10¼	+400(6½%-97)	Bear Stearns Intl.
D-MARKS							
Bank of China	300	Jul.1999	7.125	101.425	6.780	-	Commerzbank
Rabobank Nederland	250	Jun.1999	6.375	98.80R	6.423	+17 (5¾%-99)	CSFB-Effectenbank
YEN							
Nordic Investment Bank	15bn	Jul.1997	3.125	100.038R	3.112	-	Nikko Europe
America Honda Fin.Cp.(a,l)★	10bn	Oct.1997	(l1)	100.20R	-	-	Merrill Lynch Intl.
LB Rheinland-Pfalz	10bn	Jul.1999	3.80#	100.25	3.745	-	Salomon Brothers Intl.
Mitsubishi Corp. Finance(n)	5.3bn	Sep.1997	(n1)	100.25	-	-	Bank of Tokyo Cp.Mis.
Mitsubishi Corp. Finance(t)	7bn	Oct.1995	2.59	100.35	-	-	Merrill Lynch Intl.
Toyota Motor Crdt.Corp.(h)★	50bn	Oct.1999	4.00	100.20R	-	-	Nomura International
Abbey Natl.Treas.Services(t)	30bn	Dec.1996	3.19	100.138R	-	-	Daiwa/Fuji Intl.Finance
Province of Quebec	20bn	Jun.1996	3.20	100.25	3.089	-	Merrill Lynch Intl.
Urban Mtge.Bk. of Sweden(s)	15bn	Jan.1996	2.80	100.20	-	-	Merrill Lynch Intl.
STERLING							
NHL (3) Secs., Class A1(w)	48	Jan.2036	(w1)	99.96R	-	-	Goldman Sachs Intl.
NHL (3) Secs., Class A2(x)	46.5	Jan.2036	(x1)	99.87R	-	-	Goldman Sachs Intl.
Homer Finance, Class A1(y)	52	Jun.2036	(y1)	99.96R	-	-	Goldman Sachs Intl.
Homer Finance, Class A2(z)	38	Jan.2036	(z1)	99.78R	-	-	Goldman Sachs Intl.
Homer Finance, Class A3(A)	38.25	Jan.2036	(A1)	99.84R	-	-	Goldman Sachs Intl.
Kingdom of Sweden(h,u)	100	Dec.1999	8.25	90.369	8.34	+34 (8%-99)	Salomon Brothers Intl.
CANADIAN DOLLARS							
Kingdom of Sweden(t)	200	Dec.1996	7.75	99.683R	7.838	+20 (7¾%-96)	ScotiaMcLeod
Société Générale(t)	100	Dec.1997	8.00	99.60R	8.164	+22 (t)	BZW
SNCF(t)	150	Dec.1999	8.375	99.52R	8.500	+15 (7¾%-99)	Swiss Bank Corp.
Swedish Export Credit	100	Jul.1997	7.875	99.70R	7.991	+20 (t)	RBC Dominion Secs.
Commerzbank O'seas Fin.(t)	150	Jul.1998	8.25	99.85R	8.295	+25 (t)	IBJ International
Electricité de France	125	Jul.1998	8.25	99.92R	8.274	+14 (t)	Paribas Capital Markets
Asia-Cyer Mco	75	Jul.1998	8.25	99.76R	8.326	+20 (t)	Wood Gundy
Canada Mtge.& Hsng.Crp.(h)	1bn	Aug.1999	8.25#	99.299R	8.440	+16 (7¾%-99)	Lehman/RBC Dom.Sec. Scotia/ Wood Gundy
Kredietbank Intl. Finance	100	Jul.2001	8.875	99.90R	8.895	+30 (t)	ABN Amro Bank
GUILDERS							
Eurofima	400	Jul.2001	7.00	99.55R	7.084	+20 (6¾%-01)	ABN Amro Bank
SBC Finance (Cayman)	350	Jul.1999	6.50	99.00R	6.742	+11.2(7½-99)	SBC Netherlands
Kingdom of Sweden‡	250	Jul.1999	(d)	100.00R	-	-	ABN Amro Bank
ITALIAN LIRE							
Olivetti(c)§	300bn	Dec.1999	3.50	100.00	-	-	Morgan Stanley Intl.
RZB	150bn	Jul.1999	9.625	99.85R	9.664	-	BCI
San Paolo, Turin(q)	100bn	Jun.2004	10.40	100.50	-	-	San Paolo, Turin
Peugeot Finance Intl.(j)	100bn	Jul.1999	10.30	100.70	-	-	Credito Italiano
San Paolo, Turin(q)	100bn	Jan.2004	10.40	101.20	-	-	San Paolo, Turin
AUSTRALIAN DOLLARS							
Australian Ind. Dev'ment Corp.	100	Jul.2004	8.75	100.15	8.727	-	Hambros Bank
Export Fin. & Insurance Corp.	75	Aug.1998	7.00	101.07	6.413	-	CBA
PESETAS							
Eurofima(s)	10bn	Aug.1997	9.00	101.25	-	-	Argentaria/ JP Morgan
SWEDISH KRONOR							
OKB	1bn	Jul.1999	9.25	99.39R	9.408	+45 (No.1028)	IBJ International
HONG KONG DOLLARS							
Bank of East Asia(k)	1bn	Jul.2001	(k1)	100.00R	-	-	Merrill Lynch Secs.Asia
SWISS FRANCS							
General Electric Capl.Corp.★	100	Jun.1998	5.25	102.00	4.187	-	Merrill Lynch Cap.Mkts.
Bayerische Vereinsbank(q)	100	Jul.1998	5.00	101.625	4.457	-	Bank von Ernst & Cie.
General Electric Capl.(v)★	50	Jun.1998	5.25	102.10	4.134	-	Merrill Lynch Cap.Mkts.
LUXEMBOURG FRANCS							
DSL Finance(q)	2bn	Sep.1998	7.25	102.10	6.75	-	Bq.Paribas Luxembourg

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ⊕With equity warrants. ★Unlisted or private placement. #Semi-annual coupon and yield. R: fixed re-offer price. c) Conv price: L2808. Callable after 2 yrs to yld 7¼% with 140% protection in 1st yr. [illegible]

EQUITY MARKETS: This Week

NEW YORK
Frank McGurty

Analysts fear fresh bout of turbulence



Source: FT Graphite

Wall Street has been very quiet over the past month, perhaps a little too quiet. The even tempo of trading may have come as a relief after this spring's impassioned sell-off. But with the period of relative restraint and stability now extending into its fourth week, some analysts fear the market is poised for a fresh bout of turbulence.

"The longer volume stays low, and the longer the market just inches along, the better the odds of an exaggerated move," says Mr Gregory Nie, technical analyst at Kemper Securities in Chicago.

Since the immediate reaction to the Federal Reserve's fourth move to higher interest rates in mid-May petered out, the bear market has seemed more like a snail market.

Excluding last week's closing session, when the Dow Jones Industrial Average gained 20 points, the blue-chip index has shifted 10 points higher or lower only four times since May 23.

In most sessions, the Dow has stalled within a point or two of its opening level. For the most part, activity has remained sluggish.

Even last Friday, trading was restricted to 222m shares. However, investors may look back on the session as a turning point of sorts. This week, the potential for faster-paced activity and sharp price movements looms larger.

First, political instability is a wild card which could come into play, with the US attempting to formulate a response to North Korea's intransigence over nuclear inspections. US trade talks with Japan, and their impact on the dollar's value against the yen, also represent a threat to confidence.

The issue of market timing will also re-emerge this week. On Friday, Wall Street faces the "triple-witching" expiration of futures and options on stock indices, and options on individual issues. The consequent unwinding of investment positions is sure to exaggerate any underlying trend, especially in view of the thin level of trading recently. "The risks for speculators is going to go up a notch," says Mr Nie.

This week also marks the beginning of the quarterly "window-dressing" period, when activity traditionally accelerates. As the month draws to an end, portfolio managers will either add to their winning positions, or unload their losers, in the hope of casting their second-quarter performances in the most favourable light.

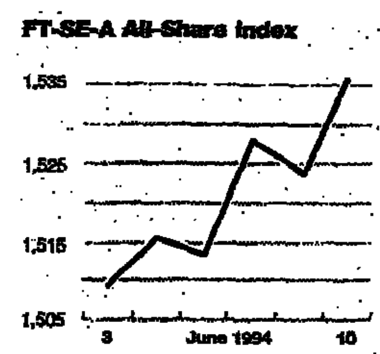
Mr Nie is one of several analysts who believe most windows will be undressed in the final days of June, setting the stage for a big downturn.

A brief spurt higher is certainly possible this week. The Kemper analyst points out that cash reserves remain low, even though stocks have now moved into a "oversold" position. As a result, the market "feels like it wants to move up".

"But somewhere in here we are going to get a selling wave," Mr Nie argues, pointing out that a hefty decline would help build up cash reserves. "Until that issue is addressed, I have a hard time believing that we are going to get a sustained rally."

LONDON
Terry Byland

A whiff of short-term optimism



Source: FT Graphite

The division between optimists and pessimists among UK stock market analysts is now more sharply divided than before. On the one hand, the FT-SE 100 index starts the week solidly above the 3,000 mark which has tormented the chartists since the middle of last month. On the other, the bond markets retain their capacity to rattle equities and reverse stock market trends within minutes.

For those strategists focusing on the strength of underlying equity valuations and on the evidence of economic recovery in the UK, last week brought valuable support in the powerful rise in UK industrial output reported for April. The 1.6 per cent monthly gain was well above expectations and put teeth into those equity market valuations which stand accused of over-valuation.

Strauss Turnbull believes the recent business recession brought sharper falls in earnings than in the past, and the way is now open for earnings growth of 40 per cent in the next two years without generating the high inflation which lies at the heart of the bond market's worries.

The most significant response to the industrial output data may prove to be the emergence of signs that equities have at least begun to shake off the influence of the gilt-edged market. Although gilts continued to unsettle shares within a narrow range, they did not seriously hinder the near 2 per cent recovery in the FT-SE index.

Indeed, base rate fears are not what they were. S. G. Warburg has upgraded its base rate forecasts in the light of last week's economic data, and now looks for a rise of a full point to 6.25 per cent by this time next year. However, such expectations, once alarming, now ring no tocsins in the City of London, or at least not in the stock market, which has decided to live with them.

The prime minster also did his best for the market by assuring newspaper readers that "dividend control is a non-starter," even if he did leave obscure the wider question of dividend taxation, which is the market's real worry.

The government's political problems, including the by-elections and the European elections, have all been so widely rehearsed in the financial markets that it is difficult to see what further damage can follow.

The economic side of the optimistic argument will be well tested this week. If the Footsie continues to progress against a backcloth of statistics on producer and retail prices, the retail price index and other data, then "the equity market will have more room to manoeuvre," as Mr Richard Jeffrey of Charterhouse Tilney puts it.

But those still unwilling to take such a positive view will want to see more evidence that equities have indeed shaken off bond market influence – it was still gilts leading equities ahead at the end of the week. Prominent among them is Mr Nicholas Knight of Nomura Research, the noted bear of the London market, who was reported to be cutting his mid-year forecast for the Footsie Index. This week could be the week to watch.

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	Percentage Change: On 12 months	Percentage Change: Since Jan 1	12 month: High		12 month: Low		1994: High		1994: Low	
FT-SE 100	3,055.9	+1.9	+6.8	-10.6	3,520.30	2/2/94	2,814.10	21/7/93	3,520.30	2/2/94	2,931.90	1/6/94
Dow Jones Ind.	3,773.45	+0.0	+8.1	+5.2	3,978.36	31/1/94	3,449.93	6/7/93	3,978.36	31/1/94	3,593.35	4/4/94
Nikkei	21,395.18	+2.1	+4.4	+22.8	21,402.78	9/6/94	16,078.71	29/11/93	21,402.78	9/6/94	17,369.74	4/1/94
Dax	2,133.08	-0.7	+27.5	-5.9	2,271.11	16/5/94	1,673.07	10/6/93	2,271.11	16/5/94	2,020.33	2/3/94
CAC 40	2,020.72	-1.0	+6.7	-10.9	2,355.93	2/2/94	1,897.86	15/6/93	2,355.93	2/2/94	1,979.68	1/6/94
Banca Com. Ital.	756.23	+2.7	+41.8	+22.1	817.17	10/5/94	508.01	16/6/93	817.17	10/5/94	598.85	10/1/94

Source: FT Graphite

OTHER MARKETS

AMSTERDAM

Trading in KPN, the Dutch telecommunications and postal company, begins on the stock exchange today. Allocation of the shares was determined over the weekend after strong demand for domestic and foreign investors resulted in applications for about 390m shares, compared with the 138.15m on offer.

Ahold reports first-quarter figures on Thursday. The food retailer has already forecast an improvement in first-quarter net profits compared with last year's result, after figures last month showed that sales, excluding value added tax, rose by 8 per cent in the first 16 weeks of the year.

MILAN

Ifil, the Agnelli family holding company, launches its complicated capital increase on Thursday, the start of the July trading account, which aims to bring in a total of about L802bn.

Friday brings the close of the institutional offering for shares in Finanza & Futuro, one of Italy's leading mutual fund management groups. About 24m shares are being sold by Cofide, the holding company of Mr Carlo De Benedetti, which is seeking to raise $100m through the sale.

STOCKHOLM

Six-month figures come from Hennes & Mauritz on Thursday. UBS, which expects a 40 per cent increase in net profit, notes that the retailer has already indicated that first-quarter sales were 20 per cent ahead of the previous year and that profits also grew strongly.

HELSINKI

The busy results schedule continues this week with four-month figures today from Kemira and Kone. Metra, Rautaruukki and Valmet report tomorrow, Metsa-Serla and Skopbank on Wednesday, while Nokia, Finvest, and Okobank announce figures on Thursday.

TOKYO

Investors are expected to make a more measured response to Friday's tankan survey of business confidence from the Bank of Japan. The immediate response to the report, which while positive was not as strong as some had expected, left shares off the two-year highs seen on Wednesday and Thursday. Investors will also be awaiting first-quarter GDP figures, due on Thursday.

RISK AND REWARD

Search is on for a better way to evaluate exposure

The current debate over the dangers inherent in the derivatives market has led to a more detailed analysis of the different types of risk involved, and greater attention to the best way to quantify risk.

Traditionally, the growth of the over-the-counter derivatives market has been tracked according to the notional principal amount of swaps outstanding – that is, the notional amount on which payments under each swap agreement are calculated. The notional amount, in most swap agreements, is not actually exchanged.

However, many derivatives dealers have argued, not surprisingly, that while this measure of derivatives volume may reflect the size of the market, it does not reflect the amount of risk involved. Instead, they argue, it makes more sense to measure the replacement values of swaps transactions, which reflects the current credit exposures of outstanding derivatives transactions.

Such a measure has much in its favour. First, because dealers manage risk by marking the value of transactions "to market" – up or down in line with market fluctuations, a measure of current replacement value is more in keeping with market practice. Second, the measure reflects credit risk, one of the main types of risk identified by bankers and regulators as a source of concern in the derivatives market. It can then be more reasonably compared with credit risk in other markets.

"Modern risk management allows us to disaggregate and isolate different elements of risk, against which one can set appropriate amounts of capital internally," said Ms Gay Evans, chairman of the International Swaps and Derivatives Association (ISDA).

To prove the point, ISDA, the OTC derivatives trade association, last week announced the results of a pilot survey on derivatives replacement values. The survey of 14 leading dealers around the world found that the gross replacement value of swaps outstanding at the end of 1993 was $178.4bn, or 2.15 per cent of their notional amount of $7,600bn. However, the net replacement value – once all agreements between individual counterparties have been netted off – is even lower at $101.3bn or 1.22 per cent of their notional amount.

The smaller figure assumes netting is legally enforceable, which remains unclear in some jurisdictions. However, the Basle Committee of central bankers is believed to be close to making a fresh statement on the issue.

In future, ISDA will conduct a survey of net replacement value alongside its regular survey of notional principal amounts. Its most recent survey of the notional principal amounts, for the end of 1992, produced an estimate of $4,500bn. The latest survey of just 14 participants, showing their notional amount at $7.6bn at the end of 1993, suggests the market's expansion has accelerated still further.

The survey also showed that the credit exposure of participating firms in derivatives was significantly less than in other activities. For example, the 10 banks and two of the four broker-dealer affiliates surveyed held net loans and letters of credit totalling $1,686bn, and the 14 firms had a total of $442bn of securities in investment or trading accounts – compared with net replacement value, or credit risk, of just over $100bn.

The move away from notional amounts was recognised in the recent report by the US General Accounting Office. In its own survey of 14 US participants, the notional amount at the end of 1992 was $6,500bn, with gross credit risk of only $114bn and net credit risk of $68bn – much smaller than for loans.

Tracy Corrigan

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 10 / Sch)

BELGIUM/LUXEMBOURG (Jun 10 / Frs.)

DENMARK (Jun 10 / Kr)

FINLAND (Jun 10 / Mks)

FRANCE (Jun 10 / Frs.)

GERMANY (Jun 10 / Dm.)

ITALY (Jun 10 / Lira)

NETHERLANDS (Jun 10 / Fls.)

NORWAY (Jun 10 / Kroner)

SPAIN (Jun 10 / Pts.)

SWEDEN (Jun 10 / Kronor)

SWITZERLAND (Jun 10 / Frs.)

PACIFIC

JAPAN (Jun 10 / Yen)

AUSTRALIA (Jun 10 / Aust$)

HONG KONG (Jun 10 / H.K.$)

MALAYSIA (Jun 10 / MYR)

SINGAPORE (Jun 10 / S$)

NORTH AMERICA

CANADA

TORONTO (Jun 10 / Can $)
4 pm close

MONTREAL (Jun 10 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Jun 10 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Friday, June 10, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
M'bishi Hvy	30.1m	820	+1	Nippon Steel	13.2m	359	+1
Fujitsu	16.1m	1160	+30	Kawasaki Hvy	12.7m	482	-6
Oki Electric	14.2m	783	-6	Fuji Electric	12.5m	579	+14
Toshiba	13.6m	863	-6	Ishi-Har Hvy	12.3m	560	+9
Hitachi	13.5m	1100	-10	NEC	11.3m	1270	+30

INDICES

	Jun 10	Jun 9	Jun 8	1994 High	1994 Low
Argentina					
General (29/12/77)	20181.36	20365.25	20768.00	25470.40 18/2	17758.90 20/4
Australia					
All Ordinaries(1/1/80)	2069.4	2076.7	2079.7	2340.60 3/2	1988.10 5/5
All Mining(1/1/80)	1051.1	1054.8	1046.7	1138.10 3/2	904.60 5/5
Austria					
Credit Aktien(30/12/84)	422.36	417.22	413.40†	469.66 2/2	401.20 6/6
Traded Index(2/1/91)	1084.62	1057.85	1052.83	1222.25 1/2	1011.38 6/6
Belgium					
BEL20 (1/1/91)	1488.88	1470.54	1472.13	1542.89 9/2	1458.49 7/6
Brazil					
Bovespa (29/12/83)	30204.0	29324.0	28218.0	30204.00 10/6	3800.90 3/1
Canada					
Metals Mnls♦(1975)	3770.71	3703.57	3853.82	3879.58 18/3	3299.08 20/4
Composite♦ (1975)	4210.50	4198.80	4201.30	4609.90 23/3	4105.90 20/4
Portfolio§§ (4/1/83)	1958.07	1949.53	1950.23	2182.86 1/2	1913.37 19/4
Chile					
IPGA Gen (31/12/80)	4632.5	4536.1†	4558.1†	4867.80 4/2	3901.20 4/4
Denmark					
CopenhagenSE(3/1/83)	370.74	369.38	368.28	415.79 2/2	363.83 1/6
Finland					
HEX General(28/12/90)	1712.4	1734.3	1749.6	1972.00 4/2	1601.10 3/1
France					
SBF 250 (31/12/90)	1358.21	1361.98	1372.03	1585.20 2/2	1337.20 1/6
CAC 40(31/12/87)	2020.72	2028.39	2046.81	2355.93 2/2	1979.69 1/6
Germany					
FAZ Aktien(31/12/58)	810.73	811.66	811.44	859.27 18/5	776.33 2/3
Commerzbank(1/12/53)	2299.5	2302.7†	2304.1	2465.50 2/5	2221.20 2/3
DAX (30/12/87)‡	2133.08	2129.32	2145.20	2271.11 18/5	2020.33 2/3
Greece					
Athens SE(31/12/80)	833.60	840.08	845.14	1194.58 18/1	806.67 25/5
Hong Kong					
Hang Seng(31/7/64)	9111.16	9190.84	9291.18	12201.09 4/1	8369.44 4/5
India					
BSE Sens.(1979)	4145.1	4137.7	4033.6	4287.90 28/2	3454.08 5/1
Indonesia					
Jakarta Comp.(10/8/82)	483.05	485.77	484.90	612.89 5/1	454.32 26/4
Ireland					
ISEQ Overall(4/1/88)	1805.11	1802.31	1789.06	2062.16 20/1	1780.72 2/6
Italy					
Banca Comm Ital (1972)	752.49	756.23	760.44	817.17 10/5	588.95 10/1
MIB General (4/1/94)	1216.0	1221.0	1228.0	1318.00 10/5	944.00 10/1
Japan					
Nikkei 225 (16/5/49)	21395.18	21402.78	21291.95	21402.78 9/6	17369.74 4/1
Nikkei 300 (1/10/82)	309.72	311.80	309.85	311.80 9/6	268.22 4/1
Topix (4/1/68)	1700.80	1709.16	1697.74	1709.16 9/6	1446.97 4/1
2nd Section (4/1/68)	2415.18	2405.44	2383.45	2415.18 10/6	1873.33 4/1
Malaysia					
KLSE Comp.(4/4/86)	1016.98	981.72	969.31	1314.46 5/1	928.33 4/4
Mexico					
IPC (Nov 1978)	(u)	2413.36	2409.98	2881.17 8/2	1957.33 20/4
Netherland					
CBS TtlRtnGen(End 83)	432.7	430.5	431.1	454.90 31/1	417.40 5/4
CBS All Shr (End 83)	274.7	273.4	273.8	294.80 31/1	266.00 31/3
New Zealand					
Cap. 40 (1/7/86)	2124.00	2125.87	2116.35	2439.64 3/2	2012.82 5/5
Norway					
Oslo SE(Ind)(2/1/83)	1050.32	1046.53	1061.73	1211.10 28/2	1046.63 9/6
Philippines					
Manila Comp (2/1/85)	2968.18	2990.85	3017.15	3308.37 4/1	2507.33 9/3
Portugal					
BTA (1977)	(c)	2827.3	2821.5	3226.80 18/2	2619.90 3/1
Singapore					
SES All-S'pore(2/4/75)	561.31	562.28	560.46	641.61 4/1	533.29 4/4
South Africa					
JSE Gold (28/9/78)	2019.0♥	1998.0	2010.0	2331.90 4/1	1740.00 14/2
JSE Indl. (28/9/78)	6644.0♥	6592.0	6595.0	6710.00 13/5	5446.08 19/1
South Korea					
KoreaCmpEx(4/1/80)**	928.94	933.75	933.02	974.26 2/2	855.37 2/4
Spain					
Madrid SE (30/12/85)	325.51	323.29	324.87	398.31 31/1	309.73 20/4
Sweden					
AffarsvardnGen (1/2/37)	1448.80	1452.6	1469.1	1603.99 31/1	1403.80 31/3
Switzerland					
Swiss Bk Ind (31/12/58)	1295.08	1298.65	1308.04	1422.34 31/1	1239.75 9/5
SBC General (1/4/87)	973.59	977.81	984.40	1083.29 31/1	917.53 9/5
Taiwan					
WeightedPr.(30/6/66)**	5994.66	5942.38	6098.58	6454.52 6/1	5194.63 19/3
Thailand					
Bangkok SET (30/4/75)	1383.41	1387.40	1370.41	1753.73 4/1	1198.59 4/4
Turkey					
Istanbul Cmp.(Jan 1986)	17389.9	17142.3	17100.1	28883.60 13/1	12988.70 24/3
WORLD					
MS Capital Int (1/1/70)§	621.0*	620.6	620.3	641.00 1/2	591.80 4/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	1411.45	1408.97	1420.74	1540.19 31/1	1398.97 1/6
Euro Top-100 (26/6/90)	1225.41	1222.97	1230.96	1311.91 2/2	1260.88 1/6
JCapalDrgns (31/12/88)	(u)	313.28	314.65	385.19 5/1	296.28 21/3
Barings Emerg.(7/1/92)	158.46	157.84	158.71	182.72 14/2	141.85 21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	2017.0	2013.0	+2.0	2026.0	2003.0	23,465	50,908
Jul	2014.5	2009.5	+2.0	2021.0	2000.5	664	3,791
Sep	2032.0	2027.0	+2.0	2038.0	2025.0	1,550	16,300

Open interest figures for previous day.

** Sat Jun 3 : Taiwan Weighted Price 6003.33; Korea Comp Ex 930.26. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - at 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Jun 10 - 2143.56 +12.44

US INDICES

Dow Jones	Jun 10	Jun 9	Jun 8	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3773.45	3753.14	3749.45	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	96.67	96.71	96.86	105.61 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1606.26	1605.17	1612.90	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	186.13	185.61	186.46	227.86 (3/1)	177.76 (12/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high (u) (3776.63) Low (u) (3721.45) (Theoretical♦)
Day's high 3779.60 (3754.99) Low 3761.91 (3740.52) (Actual♦)

Standard and Poors	Jun 10	Jun 9	Jun 8	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	458.67	457.86	457.06	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	532.09	531.49	530.40	560.59 (2/2)	510.05 (21/4)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	46.85	46.54†	46.42	48.96 (10/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	253.89	253.09	253.06	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	441.84	441.18	440.75	487.89 (2/2)	427.60 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	734.25	728.88	728.79	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jun 3	May 27	May 20	Year ago
Dow Jones Ind. Div. Yield	2.88	2.89	2.89	2.91
	Jun 8	Jun 1	May 25	Year ago
S & P Ind. Div. yield	2.44	2.47	2.48	2.51
S & P Ind. P/E ratio	23.31	23.41	23.41	25.42

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	458.25	458.85	+0.75	459.80	457.30	39,395	114,428
Sep	459.85	460.60	+0.65	461.65	459.05	58,419	122,782
Dec	-	462.90	+0.45	464.00	461.60	186	6,336

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Hanson	20,766,300	18⅞	-
Pepsico	8,867,200	31⅛	-⅜
EMC	3,330,300	14⅜	+¼
SCE	3,322,100	13⅞	-
Compaq	2,606,500	35⅛	+⅛
Merck	2,260,100	31⅛	-½
Wal-Mart	2,112,800	24⅝	-⅞
Beth Steel	2,109,300	21⅛	+1⅜
Oryx Energy	2,093,800	15⅝	-⅛
Gen Motors	2,013,400	51⅜	+⅜

■ TRADING ACTIVITY

● Volume (million)

	Jun 10	Jun 9	Jun 8
New York SE	222.807	252.940	255.888
Amex	16.291	22.384	18.743
NASDAQ	(u)	283.078	328.075
NYSE			
Issues Traded	2,817	2,798	2,813
Rises	1,180	972	964
Falls	864	1,081	1,140
Unchanged	773	745	709
New Highs	32	26	39
New Lows	35	45	31

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

Capital House Unit Tst Mgrs (1200)F

Fidelity Investment Servs Ltd - Contd.

Govett - Contd.

Knight Williams Portfolio Mngrs (1000)F

Mercury Fund Managers Ltd - Contd.

Portfolio Fund Management Ltd (0900)F

Premium Life Unit Tst Mngrs Ltd (1400)F

Principal Unit Trust Mngmt Ltd (1000)F

Schroder Unit Trusts Ltd - Contd.

Mayflower Management Company Ltd (1200)F

Mercury Fund Managers Ltd (1000)H

Pilgrim Unit Trust Mngmt Ltd (0830)F

Pointon York UT Mngrs (0800)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: *Charge made on sale of units.* Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. *The price at which units are bought by investors.*

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. *Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.*

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: *The most recent report and scheme particulars can be obtained free of charge from fund managers.*

Other explanatory notes are contained in *the last column of the* FT Managed Funds Service.

SS Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH *Tel: 071-379-0444.*

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OTHER UK UNIT TRUSTS

INSURANCES

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Scottish Life Investments

Scottish Mutual Assurance plc

Sun Alliance Group - Contd.

CMI Insurance Co Ltd

Scottish Provident Intl Life Ass Ltd

Guinness Flight Fd Mngrs - Contd.

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Putnam Embassy Funds Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jun 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.6825	-0.0681	552 - 697	17.7574	17.6588	17.6587	0.3	17.6531	0.2	-	-	113.9
Belgium	(BFr)	51.7576	-0.1266	201 - 950	51.8340	51.6810	51.7476	0.2	51.7926	-0.3	51.6176	0.3	114.8
Denmark	(DKr)	9.8153	-0.0198	118 - 187	9.8380	9.8048	9.8231	-1.0	9.8359	-0.8	9.8369	-0.2	115.4
Finland	(FM)	8.3409	-0.0184	312 - 506	8.3640	8.2950	-	-	-	-	-	-	80.3
France	(FFr)	8.5519	-0.0323	479 - 558	8.5719	8.5385	8.5583	-0.6	8.5811	-0.4	8.54	0.1	108.4
Germany	(DM)	2.5142	-0.0064	132 - 151	2.5203	2.5093	2.5144	-0.1	2.5141	0.0	2.4979	0.6	123.2
Greece	(Dr)	377.981	+0.44	528 - 433	378.433	370.400	-	-	-	-	-	-	-
Ireland	(I£)	1.0267	+0.0022	256 - 277	1.0277	1.0214	1.0273	-0.6	1.0284	-0.7	1.0302	-0.3	104.0
Italy	(L)	2376.52	-62.91	468 - 836	2442.32	2324.66	2382.42	-3.0	2392.17	-2.6	2430.27	-2.3	77.7
Luxembourg	(LFr)	51.7576	-0.1266	201 - 950	51.8340	51.6810	51.7476	0.2	51.7926	-0.3	51.6176	0.3	114.8
Netherlands	(Fl)	2.8183	-0.0061	167 - 199	2.8225	2.8145	2.8179	0.2	2.8185	0.0	2.7984	0.7	118.7
Norway	(NKr)	10.8944	-0.0176	907 - 981	10.9285	10.8219	10.8888	0.6	10.9013	-0.3	10.8925	0.0	85.5
Portugal	(Es)	262.392	+0.171	189 - 595	262.595	261.679	263.357	-4.5	265.312	-4.5	-	-	-
Spain	(Pta)	205.654	-0.339	500 - 808	205.954	205.493	206.159	-2.9	207.054	-2.7	209.724	-2.0	85.2
Sweden	(SKr)	11.9356	-0.018	264 - 448	11.9781	11.9191	11.9566	-2.3	11.9936	-1.9	12.0916	-1.3	75.3
Switzerland	(SFr)	2.1231	-0.0092	219 - 243	2.1292	2.1219	2.1216	0.8	2.119	0.8	2.0946	1.3	118.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.4
Ecu	-	1.3019	-0.0036	013 - 024	1.3038	1.3012	1.3031	-1.1	1.2981	0.9	1.2998	0.2	-
SDR†	-	0.938526	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5055	+0.0001	051 - 059	1.5084	1.5026	-	-	-	-	-	-	-
Brazil	(Cr)	3195.80	+57.31	513 - 648	3198.00	3133.00	-	-	-	-	-	-	-
Canada	(C$)	2.0709	-0.0005	701 - 717	2.0757	2.0681	2.0723	-0.8	2.0758	-0.9	2.0896	-0.9	87.4
Mexico	(New Peso)	5.0571	+0.0063	523 - 619	5.0634	5.0508	-	-	-	-	-	-	-
USA	($)	1.5080	+0.0005	077 - 083	1.5110	1.5050	1.5072	0.7	1.5059	0.6	1.5003	0.5	65.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0527	-0.0015	516 - 538	2.0563	2.0493	2.052	0.4	2.0504	0.4	2.0495	0.2	-
Hong Kong	(HK$)	11.6685	+0.0046	658 - 712	11.6982	11.6442	11.6604	0.8	11.6566	0.4	11.6834	-0.1	-
India	(Rs)	47.3022	+0.0134	890 - 154	47.3960	47.2120	-	-	-	-	-	-	-
Japan	(Y)	156.704	-0.305	635 - 773	157.290	156.580	156.299	3.1	155.484	3.1	151.379	3.4	196.1
Malaysia	(M$)	3.9156	+0.0022	140 - 171	3.9268	3.9076	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5614	-0.0003	596 - 630	2.5633	2.5547	2.5607	0.3	2.5642	-0.4	2.5706	-0.4	-
Philippines	(Peso)	40.8669	-0.1358	571 - 768	41.1766	40.5571	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6554	+0.0021	539 - 569	5.6666	5.6445	-	-	-	-	-	-	-
Singapore	(S$)	2.3128	+0.0001	116 - 140	2.3182	2.3099	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4624	+0.0103	601 - 646	5.4658	5.4353	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2158	-0.0426	993 - 323	7.2526	7.1993	-	-	-	-	-	-	-
South Korea	(Won)	1216.05	+0.67	566 - 644	1218.17	1213.76	-	-	-	-	-	-	-
Taiwan	(T$)	40.8090	-0.0032	953 - 206	40.9100	40.7350	-	-	-	-	-	-	-
Thailand	(Bt)	38.0016	-0.0012	790 - 242	38.0770	37.9410	-	-	-	-	-	-	-

†SDR rate for Jun 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	11.7125	-0.0455	100 - 150	11.7630	11.7150	11.72	-0.6	11.7235	-0.4	11.6483	0.5	103.0
Belgium	(BFr)	34.3220	-0.0965	040 - 400	34.3500	34.2900	34.3495	-1.0	34.397	-0.9	34.412	-0.3	104.3
Denmark	(DKr)	6.5088	-0.0156	078 - 098	6.5152	6.5016	6.5175	-1.6	6.5343	-1.6	6.5625	-0.8	104.2
Finland	(FM)	5.5311	-0.0149	259 - 364	5.5445	5.5011	5.5343	-0.7	5.5411	-0.7	5.5636	-0.6	75.2
France	(FFr)	5.6710	-0.0235	695 - 725	5.6850	5.6635	5.6773	-1.3	5.686	-1.1	5.6485	0.4	104.7
Germany	(D)	1.6672	-0.0049	669 - 675	1.6690	1.6637	1.6682	-0.6	1.6684	-0.5	1.6644	0.2	104.6
Greece	(Dr)	250.650	+0.2	400 - 900	250.650	245.950	252	-6.5	252.85	-3.5	255.15	-1.8	68.9
Ireland	(I£)	1.4689	-0.0025	677 - 701	1.4788	1.4667	1.4673	1.3	1.4644	1.2	1.4578	0.8	-
Italy	(L)	1609.10	-9.15	820 - 000	1617.75	1608.20	1614	-3.7	1622.05	-3.2	1653.65	-2.8	78.0
Luxembourg	(LFr)	34.3220	-0.0965	040 - 400	34.3500	34.2900	34.3495	-1.0	34.397	-0.9	34.412	-0.3	104.3
Netherlands	(Fl)	1.8689	-0.0047	682 - 696	1.8716	1.8664	1.8702	-0.9	1.8717	-0.6	1.8663	0.1	104.0
Norway	(NKr)	7.2244	-0.0143	234 - 254	7.2417	7.1768	7.2281	-0.6	7.2348	-0.6	7.2007	0.3	95.4
Portugal	(Es)	174.000	+0.05	900 - 100	174.100	173.650	175.405	-9.7	177.4	-7.8	182.35	-4.8	91.8
Spain	(Pta)	136.376	-0.275	300 - 450	136.590	136.290	136.795	-3.7	137.52	-3.4	139.825	-2.5	80.6
Sweden	(SKr)	7.9149	-0.0148	103 - 194	7.9474	7.9094	7.9328	-2.7	7.9634	-2.5	8.0549	-1.9	80.5
Switzerland	(SFr)	1.4079	-0.0066	074 - 084	1.4112	1.4062	1.4079	0.0	1.4082	-0.1	1.3977	0.7	104.5
UK	(£)	1.5080	+0.0005	077 - 083	1.5110	1.5050	1.5072	0.7	1.5059	0.6	1.5003	0.5	89.4
Ecu	-	1.1584	+0.0037	581 - 586	1.1582	1.1557	1.1566	1.8	1.1541	1.5	1.1664	-0.7	-
SDR†	-	1.41200	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9984	-0.0003	983 - 984	0.9984	0.9983	-	-	-	-	-	-	-
Brazil	(Cr)	2119.23	+37.24	921 - 925	2119.25	2119.18	-	-	-	-	-	-	-
Canada	(C$)	1.3733	-0.0008	730 - 736	1.3742	1.3725	1.375	-1.5	1.3786	-1.5	1.3946	-1.5	83.8
Mexico	(New Peso)	3.3535	+0.003	510 - 560	3.3560	3.3510	3.3545	-0.4	3.3563	-0.3	3.3637	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3612	-0.0015	607 - 617	1.3624	1.3607	1.3615	-0.3	1.3616	-0.1	1.3653	-0.3	89.7
Hong Kong	(HK$)	7.7378	+0.0003	375 - 380	7.7460	7.7385	7.7373	0.1	7.7398	-0.1	7.7541	-0.2	-
India	(Rs)	31.3675	-0.0025	650 - 700	31.3700	31.3650	31.4475	-3.1	31.5925	-2.9	-	-	-
Japan	(Y)	103.915	-0.24	890 - 940	104.140	103.770	103.72	2.3	103.27	2.5	100.98	2.8	146.3
Malaysia	(M$)	2.5965	+0.0005	960 - 970	2.6005	2.5945	2.589	3.5	2.5855	1.7	2.6165	-0.8	-
New Zealand	(NZ$)	1.6985	-0.0009	978 - 992	1.6992	1.6964	1.7003	-1.3	1.7049	-1.5	1.7268	-1.7	-
Philippines	(Peso)	27.1000	-0.1	000 - 000	27.4000	26.9000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-	500 - 505	3.7505	3.7500	3.7509	-0.2	3.7529	-0.3	3.7656	-0.4	-
Singapore	(S$)	1.5337	-0.0005	332 - 342	1.5355	1.5332	1.533	0.6	1.5327	0.3	1.5347	-0.1	-
S Africa (Com.)	(R)	3.6223	+0.0055	215 - 230	3.6230	3.6060	3.6378	-5.1	3.6661	-4.8	3.7428	-3.3	-
S Africa (Fin.)	(R)	4.7850	-0.03	750 - 950	4.7950	4.7750	4.8187	-8.6	4.8775	-7.7	-	-	-
South Korea	(Won)	806.400	+0.15	300 - 500	806.500	806.100	809.4	-4.5	812.9	-3.2	831.4	-3.1	-
Taiwan	(T$)	27.0610	-0.012	580 - 640	27.0735	27.0580	27.081	-0.9	27.121	-0.9	-	-	-
Thailand	(Bt)	25.2000	-0.01	900 - 100	25.2100	25.2100	25.2725	-3.5	25.4	-3.2	25.89	-2.7	-

†SDR rate for Jun 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 9. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

June 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.96	16.52	4.857	1.984	4687	5.444	21.04	507.0	397.2	23.05	4.102	1.932	4.001	2.913	302.7	2.515
Denmark	(DKr)	52.74	10	8.713	2.561	1.046	2472	2.871	11.10	267.3	209.5	12.15	2.163	1.019	2.110	1.536	159.7	1.327
France	(FFr)	60.52	11.48	10	2.940	1.201	2837	3.295	12.73	306.8	240.4	13.95	2.482	1.169	2.422	1.763	183.2	1.522
Germany	(DM)	20.59	3.904	3.402	1	0.409	965.0	1.121	4.332	104.4	81.78	4.745	0.844	0.398	0.824	0.600	62.33	0.518
Ireland	(I£)	50.40	9.557	8.327	2.448	1	2362	2.744	10.60	255.5	200.2	11.62	2.067	0.974	2.017	1.469	152.6	1.268
Italy	(L)	2.134	0.405	0.353	0.104	0.042	100.	0.116	0.449	10.82	8.475	0.492	0.088	0.041	0.085	0.062	6.459	0.054
Netherlands	(Fl)	18.37	3.483	3.035	0.892	0.364	860.9	1	3.864	93.12	72.96	4.233	0.753	0.355	0.735	0.535	55.61	0.462
Norway	(NKr)	47.53	9.013	7.853	2.309	0.943	2228	2.588	10	241.0	188.8	10.96	1.949	0.918	1.902	1.385	143.9	1.196
Portugal	(Es)	19.73	3.740	3.259	0.958	0.391	924.5	1.074	4.150	100.	78.35	4.546	0.809	0.381	0.789	0.575	59.72	0.496
Spain	(Pta)	25.18	4.774	4.160	1.223	0.500	1180	1.371	5.297	127.6	100.	5.803	1.033	0.486	1.007	0.733	76.22	0.633
Sweden	(SKr)	43.39	8.227	7.168	2.107	0.861	2034	2.362	9.128	219.9	172.3	10	1.780	0.838	1.736	1.264	131.3	1.091
Switzerland	(SFr)	24.38	4.623	4.028	1.184	0.484	1143	1.327	5.130	123.6	96.84	5.619	1	0.471	0.976	0.710	73.81	0.613
UK	(£)	51.76	9.815	8.552	2.514	1.027	2426	2.818	10.89	262.4	205.6	11.93	2.123	1	2.071	1.508	156.7	1.302
Canada	(C$)	24.99	4.739	4.129	1.214	0.496	1171	1.361	5.258	126.7	99.28	5.761	1.025	0.483	1	0.728	75.66	0.629
US	($)	34.32	6.509	5.671	1.667	0.681	1609	1.869	7.221	174.0	136.3	7.911	1.408	0.663	1.373	1	103.9	0.863
Japan	(Y)	330.3	62.64	54.58	16.04	6.554	15482	17.98	69.50	1675	1312	76.13	13.55	6.382	13.22	9.623	1000.	8.309
Ecu		39.75	7.538	6.566	1.931	0.789	1863	2.164	8.364	201.5	157.9	9.163	1.631	0.768	1.591	1.158	120.4	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.5996	0.6001	+0.0005	0.6010	0.5991	9,343	89,154
Sep	0.5987	0.5993	+0.0008	0.6003	0.5980	40,323	46,288
Dec	0.5990	0.5995	+0.0007	0.6000	0.5985	188	777

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.7096	0.7119	+0.0032	0.7129	0.7067	4,234	22,800
Sep	0.7095	0.7124	+0.0032	0.7133	0.7092	14,883	26,184
Dec	0.7115	0.7137	+0.0034	0.7137	0.7106	38	446

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.9621	0.9648	+0.0027	0.9665	0.9606	8,209	30,253
Sep	0.9681	0.9712	+0.0028	0.9732	0.9665	27,181	51,993
Dec	0.9747	0.9781	+0.0029	0.9790	0.9747	301	1,570

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	1.5080	1.5090	-0.0010	1.5096	1.5060	6,121	21,677
Sep	1.5076	1.5068	-0.0008	1.5076	1.5024	11,250	21,992
Dec	1.5010	1.5052	-0.0008	1.5052	1.5010	48	151

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jun	Jul	Aug	PUTS Jun	Jul	Aug
1.425	8.19	8.07	8.03	-	-	0.01
1.450	5.74	5.65	5.76	-	-	0.18
1.475	3.24	3.33	3.67	-	0.14	0.56
1.500	0.79	1.50	2.06	-	0.76	1.38
1.525	-	0.44	0.97	1.61	2.18	2.72
1.550	-	0.08	0.37	4.06	4.24	4.61

Previous day's vol., Calls 9,500 Puts 10,181 . Prev. day's open int., Calls 550,710 Puts 506,716

UK INTEREST RATES

LONDON MONEY RATES

Jun 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4	4 13/16 - 4⅝	5 - 4 13/16	5 3/16 - 5 1/16	5 7/16 - 5 5/16	6 1/16 - 5 15/16
Sterling CDs	-	-	4 27/32 - 4 25/32	5 1/16 - 5 1/32	5 5/16 - 5 7/32	5 31/32 - 5 27/32
Treasury Bills	-	-	4 27/32 - 4 25/32	4⅞ - 4 13/16	-	-
Bank Bills	-	-	4 27/32 - 4 25/32	4 15/16 - 4⅞	5¼ - 5 3/16	-
Local authority deps.	5¼ - 5⅛	4 13/16 - 4 11/16	5 - 4 13/16	5⅛ - 5 1/16	5⅜ - 5 5/16	6 1/16 - 5 15/16
Discount Market deps	5¼ - 4	4 13/16 - 4¾	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc. Ave. tender rate of discount 4.7981pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1994. Agreed rate for period Jun 26, 1994 to Jul 25, 1994, Schemes II & III 6.47pc. Reference rate for period Apr 30, 1994 to May 31, 1994, Schemes IV & V 5.222pc. Finance House Base Rate 5½pc from June 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Jun 10	Jun 3		Jun 10	Jun 3
Bills on offer	£500m	£500m	Top accepted rate	4.8734%	4.8734%
Total of applications	£1560m	£1555m	Ave. rate of discount	4.8517%	4.8633%
Total allocated	£500m	£500m	Average yield	4.9111%	4.9230%
Min. accepted bid	£98.785	£98.785	Offer at next tender	£500m	£500m
Allotment at min. level	11%	100%	Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

■ **Pound in New York**

Jun 10	—Close—	—Prev. close—
£ spot	1.5090	1.5095
1 mth	1.5082	1.5087
3 mth	1.5069	1.5073
1 yr	1.5013	1.5017

FIXED INTEREST RATES

MONEY RATES

June 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5⅜	5¼	5⅞	5⅜	5¾	7.40	4.50	-
week ago	5⅜	5¼	5⅜	5⅞	5¾	7.40	4.50	-
France	5½	5½	5½	5⅜	5¾	5.30	-	6.75
week ago	5½	5½	5⅜	5⅝	5⅞	5.30	-	6.75
Germany	5.03	5.05	5.05	5.05	5.12	6.00	4.50	5.10
week ago	5.16	5.05	5.05	5.10	5.13	6.00	4.50	5.20
Ireland	5⅜	5⅞	5⅞	5⅞	6⅛	-	-	6.25
week ago	5⅜	5⅞	5⅞	5⅞	6¼	-	-	6.25
Italy	7⅜	7¾	7¾	7⅞	8¼	-	7.00	7.80
week ago	7½	7¾	7⅞	7¾	8⅛	-	7.00	7.80
Netherlands	5.08	5.06	5.08	5.08	5.23	-	5.25	-
week ago	5.15	5.08	5.13	5.16	5.28	-	5.25	-
Switzerland	3⅞	4⅛	4¼	4⅜	4½	6.625	3.50	-
week ago	4¼	4⅛	4⅛	4½	4⅝	6.625	3.50	-
US	4⅝	4¼	4½	4⅞	5⅜	-	3.50	-
week ago	4⅝	4¼	4⅜	4⅞	5½	-	3.50	-
Japan	2⅛	2⅛	2⅛	2⅛	2½	-	1.75	-
week ago	2⅛	2⅛	2⅛	2¼	2½	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	4⅝	4⅞	4⅞	5⅞	-	-	-
week ago	-	4⅝	4⅝	4⅞	5⅝	-	-	-
US Dollar CDs	-	4.15	4.36	4.69	5.21	-	-	-
week ago	-	4.15	4.40	4.76	5.33	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5¾; 3 mths: 5¾; 6 mths: 5¾; 1 year: 6⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5¼ - 5⅛	5 7/16 - 5 5/16	5 9/16 - 5 7/16	5¾ - 5⅝
Danish Krone	6¼ - 6	6⅜ - 5½	6 - 5¾	6⅛ - 5⅞	6¼ - 6	6¼ - 6
D-Mark	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 5/16 - 5 3/16
Dutch Guilder	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5⅛ - 5 1/32	5⅛ - 5 1/32	5⅛ - 5 1/16	5⅜ - 5¼
French Franc	5 9/16 - 5 7/16	5 9/16 - 5 7/16	5 9/16 - 5 7/16	5 9/16 - 5 7/16	5⅝ - 5½	5 15/16 - 5 13/16
Portuguese Esc.	15¼ - 13¾	15¼ - 13¾	17 - 15½	14½ - 13	13½ - 12½	12 - 11
Spanish Peseta	7½ - 7 5/16	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7¾ - 7⅝	7 15/16 - 7 13/16
Sterling	4¾ - 4⅝	4 13/16 - 4 11/16	5 - 4 13/16	5⅛ - 5 1/16	5⅜ - 5 5/16	6 1/16 - 5 15/16
Swiss Franc	3⅞ - 3¾	3 15/16 - 3 13/16	4 - 3⅞	4¼ - 4⅛	4⅜ - 4¼	4½ - 4⅜
Can. Dollar	5⅝ - 5⅜	5¾ - 5½	5¾ - 5⅝	6 - 5⅞	6⅜ - 6¼	7 - 6⅞
US Dollar	4⅞ - 4 11/16	4¼ - 4⅛	4⅜ - 4¼	4 9/16 - 4 7/16	4⅞ - 4¾	5½ - 5⅜
Italian Lira	8½ - 7	7¾ - 7½	7¾ - 7⅝	7¾ - 7⅝	7⅞ - 7¾	8 5/16 - 8 3/16
Yen	2 1/16 - 2	2 3/32 - 2 1/32	2 3/32 - 2 1/32	2⅛ - 2 1/16	2¼ - 2 3/16	2½ - 2 7/16
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4 1/16 - 4 1/32	4⅜ - 4¼	5 1/16 - 5 1/32	5 13/16 - 5 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.43	95.43	-	95.44	95.41	29,344	312,749
Sep	94.87	94.88	-0.02	94.90	94.84	75,010	402,375
Dec	94.23	94.19	-0.04	94.24	94.16	106,566	385,125

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.80	95.80	-0.01	95.81	95.79	2,026	9,393
Sep	95.34	95.32	-0.02	95.36	95.31	1,426	17,594
Dec	94.74	94.74	-0.04	94.76	94.73	151	7,075

All Open interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday June 8, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,135,313,542	+879,543,894
Bankers deposits	1,508,311,002	-161,832,892
Reserve and other accounts	3,124,369,388	+191,998,188
	5,782,546,932	+909,708,980
Assets		
Government securities	1,030,925,698	+9,963,269
Advance and other accounts	2,185,155,093	-379,826,468
Premises, equipment and other secs	2,556,249,877	+1,274,587,164
Notes	10,028,049	+3,961,689
Coin	188,216	+35,324
	5,782,546,932	+909,708,980
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	17,889,971,952	-363,961,689
Notes in Banking Department	10,028,048	+3,961,689
	17,900,000,000	-360,000,000
Assets		
Government debt	11,015,100	
Other Government securities	15,816,779,021	+1,075,860,231
Other Securities	2,072,205,879	-1,435,860,231
	17,900,000,000	-360,000,000

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas. 10pc Ln. 1994‡‡		100	—	1,900	Ja9 De9	3.5	1284
Exch 12½pc 1994		101½	-.2	1,240	Fe22 Au22	17.1	1283
Treas 9pc 1994‡‡		101⅝	-.1	1,900	My17 Nv17	11.4	1345
12pc 1995		104⅞	—	2,350	Ja25 Jy25	20.12	1294
Exch 3pc Gas 90-95		98⅛	—	214	My1 Nv1	28.3	1271
10¼pc 1995		104 11/16	0.1	2,500	Ja21 Jy21	15.12	1254
Treas 12¾pc 1995‡‡		108⅞	—	840	My15 Nv15	8.4	1288
14pc 1996		111 13/16	-.1	770	Ja22 Jy22	16.12	1305
15¼pc 1996‡‡		114 15/16	—	1,150	My3 Nv3	28.3	1308
Exch 13¼pc 1996‡‡		111 5/16	—	800	My15 Nv15	8.4	1288
Conversion 10pc 1996		108 1/16	-.1	3,408	My15 Nv15	8.4	1240
Conv 7pc 1997‡‡		99 3/16	-.1	20,000	Au6 Fe6	-	-
Treas 13¼pc 1997‡‡		113 15/16	-.1	1,290	Ja22 Jy22	16.12	1302
Exch 10½pc 1997		107 3/16	-.1	3,700	Fe21 Au21	17.1	1253
Treas 8¾pc 1997‡‡		102 11/16	-.2	5,550	Mr1 Se1	24.1	1341
Exch 15pc 1997		120 15/16	-.2	830	Ap27 Oc27	21.3	1299
9¾pc 1998		105 13/16	-.1	3,550	Ja19 Jy19	13.12	1273
Treas 7¼pc 1998‡‡		97 13/16	-.1	7,850	Mr30 Se30	21.2	-
Treas 6¾pc 1995-98‡‡		96⅞	-.1	1,200	My1 Nv1	25.3	1331
14pc '96-1		119¾	-.4	970	My22 Nv22	15.4	1306
Treas 15½pc '98‡‡		126½	-.3	935	Mr30 Se30	21.2	1308
Exch 12pc 1998		113¾	-.2	3,600	My20 Nv20	13.4	1259
Treas 9½pc 1999‡‡		105⅜xd	-.1	1,900	Ja15 Jy15	8.6	1347
Five to Fifteen Years							
Exch 12¼pc 1999		115¼	-.1	3,050	Mr26 Se26	17.2	1264
Treas 10½pc 1999		108 13/16	-.3	1,252	My19 Nv19	12.4	1268
Treas 6pc 1999‡‡		91 9/16	-.1	5,900	Fe10 Au10	22.4	-
Conversion 10¼pc 1999		108 1/16	-.3	1,798	My22 Nv22	15.4	1242
Treas Flg Rate '99		100 1/16	—	0	—	3.5	-
9pc 2000‡‡		102 13/16	-.2	5,358	Mr3 Se3	25.1	1244
Treas 13pc 2000		120 5/16xd	-.2	3,171	Ja14 Jy14	7.6	1289
10pc 2001		107 5/16	-.2	4,406	Fe26 Au26	20.1	1280
7pc '01‡‡		92 13/16	0.1	3,250	My6 Nv6	30.3	-
7pc '01 A		92½	—	2,500	My6 Nv6	-	-
9¾pc 2002		106 13/16	-.2	6,527	Fe27 Au27	21.1	1349
8pc 2003‡‡		96 13/16	0.1	7,800	Ja10 De10	4.5	-
10pc 2003		108⅝	—	2,503	Mr8 Se8	31.1	1281
Treas 11½pc 2001-4		113⅝	-.1	1,620	Mr19 Se19	10.2	1290
Funding 3½pc '99-4		74¼xd	2.2	843	Ja14 Jy14	7.6	1274
Conversion 9½pc 2004		108⅛	-.1	3,412	Ap25 Oc25	21.3	1248
Treas 6¾pc 2004‡‡		89 13/16	0.9	6,250	My26 Nv26	18.4	-
Conv 9½pc 2005		108 13/16	-.1	4,842	Ap18 Oc18	14.3	1247
Treas 12½pc 2003-5		122½	—	2,200	My21 Nv21	14.4	1295
7¾pc 2006‡‡		94 13/16	-.1	3,800	Mr8 Se8	31.1	-
8pc 2002-6‡‡		96¾	1.3	2,000	Ap5 Oc5	1.3	1334
Treas 11¾pc 2003-7		116⅝	-.2	3,150	Ja22 Jy22	16.12	1293
Treas 8½pc 2007‡‡		100 13/16xd	-.2	6,497	Ja16 Jy16	9.6	1339
13½pc '04-8		129 13/16	—	1,250	Mr26 Se26	17.2	1301
Treas 9pc 2008‡‡		104⅝	-.2	5,321	Ap13 Oc13	7.3	1343
Over Fifteen Years							
Treas 8pc 2009		96 5/16	—	3,100	Mr25 Se25	15.2	1336
Treas 6 1/4pc 2010		81 13/16	-.4	2,750	-	18.4	-
Conv 9pc Ln 2011‡‡		105⅛	-.5	4,273	Ja12 Jy12	7.6	1245
Treas 9pc 2012‡‡		105⅛	-.8	5,150	Fe6 Au6	31.12	1701
Treas 5½pc 2008-12‡‡		76	1.2	1,000	Mr10 Se10	1.2	1330
Treas 8pc 2013‡‡		96⅛	-.7	4,950	Mr27 Se27	18.2	-
7¾pc 2012-15‡‡		94 13/16	-.6	800	Ja26 Jy26	20.12	1332
Treas 8¾pc 2017‡‡		104 1/16	-.8	6,950	Fe25 Au25	19.1	1982
Exch 12pc '13-'17		132⅜	-.8	1,000	Ja12 De12	6.5	1260
Undated							
Consols 4pc		47⅛	1.4	359	Fe1 Au1	29.12	1239
War Loan 3½pc‡‡		41 13/16	-1.0	1,909	Je1 De1	25.4	1352
Conv 3½pc '61 Aft		58⅛	2.0	119	Ap1 Oc1	23.2	1243
Treas 3pc '66 Aft		35⅛	0.9	56	Ap5 Oc5	1.3	1324
Consols 2½pc		28⅛	0.9	275	5.JaApJyOc	1.6	1238
Treas. 2½pc		28 13/16	0.9	475	Ap1 Oc1	21.2	1315
Index-Linked	(b)						
2pc '96	(67.9)	199	0.2	1,200	Mr16 Se16	7.2	1313
4⅝pc '98‡‡	(135.6)	107 13/16	0.1	800	Ap27 Oc27	21.3	-
2½pc '01	(78.3)	165½	0.4	1,500	Mr24 Se24	15.2	1316
2½pc '03	(78.8)	162⅝	0.3	1,050	My20 Nv20	13.4	1317
4⅜pc '04‡‡	(135.6)	110	0.3	1,000	Ap21 Oc21	22.4	-
2pc '06	(69.5)	169⅝	0.3	1,550	Ja19 Jy19	13.12	1314
2½pc '09	(78.8)	153¾	0.4	1,550	My20 Nv20	13.4	1318
2½pc '11	(74.6)	158⅝	0.4	1,850	Fe23 Au23	17.1	1319
2½pc '13	(89.2)	130⅝	0.4	2,300	Fe16 Au16	10.1	1320
2½pc '16	(81.6)	139⅞	0.3	2,550	Ja26 Jy26	20.12	1321
2½pc '20	(83.0)	133	0.5	2,400	Ap16 Oc16	10.3	1322
2½pc '24‡‡	(97.7)	110⅛xd	0.6	2,000	Ja17 Jy17	10.6	1323
4⅛pc '30‡‡	(135.1)	110⅛	0.6	1,300	Ja16 Jy22	16.12	-

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1993: 141.9 and for April 1994: 142.5.

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
African Dev 11¼ 2010		119⅛	—	50	Ja4 Jy4	1.72	-
Asian Dev 10¼pc 2009		112⅜	—	100	Mr24 Se24	3'93	-
B'ham 11½pc 2012		119¼	—	45	My15 Nv15	4'93	1837
Ireland Cap 8½pc '10		98	1.5	303	Ap1 Oc1	-	1465
9pc Cap 1998		101⅛	—	725	Ja30 Jy30	-	-
13pc '97-2		110⅝	0.2	315	Ap1 Oc1	28.8	1429
Hydro Quebec 15pc 2011		143⅜	—	40	My31 Nv30	27.10	-
Leeds 13½pc 2006		129	—	40	Ap1 Oc1	3'93	3148
Liverpool 3½pc Irred		37½	—	5	1.JaApJyOc	6'93	-
LCC 3pc '20 Aft		32⅛	—	28	1.JaJeSeDe	1.8	-
Manchester 11½pc 2007		115¼	—	6	Ap25 Oc25	3'93	3278
Met. Wtr. 3pc 'B'		67	—	25	Mr1 Se1	1.8	3391
N'wide Anglia 3⅞pc 2021		133	—	60	Ja30 Jy30	1'93	3465
4¼pc IL 2024		126⅝	—	60	-	20.7	-
Utd Mex States 16½pc 2008		141	—	50	Mr1 Se1	27.8	-

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE 100	3053.9	3026.9	3038.2	3004.8	3009.4	3520.3	2931.9	3520.3	986.9
FT-SE Mid 250	3608.5	3589.3	3600.8	3577.8	3571.4	4152.8	3537.7	4152.8	1379.4
FT-SE Mid 250 ex ITs	3615.6	3605.9	3607.1	3583.7	3577.0	4180.7	3544.0	4180.7	1378.3
FT-SE-A 350	1544.2	1532.8	1536.6	1521.3	1522.5	1778.3	1489.1	1778.3	684.5
FT-SE SmallCap	1853.17	1854.17	1854.28	1857.01	1870.28	2094.96	1853.17	2094.96	1363.79
FT-SE SmallCap ex ITs	1839.16	1840.36	1840.20	1843.98	1848.33	2060.72	1825.29	2060.72	1363.79
FT-SE-A All-Share	1535.01	1524.57	1528.04	1514.10	1515.38	1784.11	1484.63	1784.11	61.92
FT-SE Eurotrack 100	1411.45	1408.97	1420.74	1409.65	1418.61	1540.19	1388.97	1540.19	900.45
FT-SE Eurotrack 200	1432.80	1430.94	1439.28	1428.30	1433.30	1607.10	1399.53	1607.10	938.82
FT Ordinary	2419.3	2401.3	2411.9	2392.1	2387.6	2713.6	2321.2	2713.6	49.4
FT Govt Securities	92.92	92.78	92.82	92.62	93.13	107.04	91.04	127.40	49.18
FT Fixed Interest	110.27	110.55	110.23	110.76	110.71	133.87	109.12	133.87	50.53
FT Gold Mines	1906.62	1906.12	1904.15	1900.17	1894.51	2367.4	1762.02	2367.40	922.16
Predecessor Gold Mines	218.5	218.3	218.4	213.9	214.9	277.9	185.0	734.7	43.5

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	[illegible]	
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	[illegible]	

[illegible]

● Members of British Merchant Banking & Securities Houses Association

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	Low	Stock	Closing price p	+or-
105	Nil	8/7	21pm	18pm	Blagden Inds	20pm	-1
52	Nil	23/7	4pm	1½pm	‡Corp. Services	2½pm	+½
120	Nil	8/7	28pm	18½pm	Dawson Intl	20pm	
180	Nil	20/7	23pm	8pm	Dixon Motors	8pm	-2
285	Nil	-	66pm	38pm	Eurotunnel	46pm	-3
185	Nil	11/7	26pm	8pm	Headlam	8pm	-2
105	Nil	20/7	1¾pm	1pm	Higgs & Hill	1pm	

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§120	F.P.	70.3	123	115½	Aero. Hamble	123	+2½	W3.74	2.6	3.8	12.2
161	F.P.	35.4	164	160	Arney	163		LN1.06	0.8	5.4	29.5
255	F.P.	146.0	287	258	Argent	266		-	-	-	-
100	F.P.	44.1	108	100	Automotive Precs	108		LN4.0	0.8	4.6	35.6
§150	F.P.	31.7	154	150	Brewin Dolphin	154	+4	L5.8	2.3	4.7	11.4
-	F.P.	234.9	81	73	CAMAS	77	-1	uN3.75	0.7	6.1	36.5
-	F.P.	105.9	112	107	CLS	107		-	-	-	-
§143	F.P.	11.4	155	143	Cassell	155		W3.9	-	3.1	10.3
-	F.P.	20.2	38	35½	Chime Comms.	36		-	-	-	-
k250	F.P.	170.2	249	228	DCC	228		LQ34%	3.8	3.0	11.9
110	F.P.	40.6	120	110	DRS Data & Res	114	-1	LN2.8	1.1	3.1	27.2
130	F.P.	45.1	137	133	Denby	135		W3.1	2.8	2.9	13.1
-	F.P.	77.3	93	90	Fleming Indian	92		-	-	-	-
-	F.P.	8.06	50	42	Do Warrants	48		-	-	-	-
-	F.P.	-	37½	35	Govett Gbl Sl Wt	35		-	-	-	-
105	F.P.	52.4	105	93	Healthcall	95		WN4.0	1.8	5.3	13.5
225	F.P.	106.3	232	225	Intermediate	232		LN9.9	2.1	5.3	8.1
-	F.P.	-	77	65	JF Fl Japan Wrts	77		-	-	-	-
5	F.P.	4.20	6½	5	Keys Food	5¼		-	-	-	-
160	F.P.	57.4	163	159	Lombard Ins.	161		WN7.7	2.2	6.0	9.3
200	F.P.	159.2	225	200	‡London Clubs	225	+5	W11.92	1.6	6.6	11.5
105	F.P.	47.3	113	105	Nightfreight	105		R3.38	2.0	4.0	13.9
120	F.P.	34.4	130	125½	Norcor	128		W4.56	2.5	4.5	10.9
-	F.P.	265.2	131	118	Redrow	120		WN2.7	2.5	2.8	15.2
	F.P.	63.7	92	91	Scudder Latin	91		-	-	-	-
-	F.P.	8.16	44	43	Do Wrts	44		-	-	-	-
§95	F.P.	13.9	111	106	Spargo Cons	111	+3	L1.6	1.6	1.8	43.8
-	F.P.	29.0	133	128	Speciality Shops	131		L2.4	-	2.3	-
-	F.P.	58.8	100	98	TR Euro Gwth C	98		-	-	-	-
100	F.P.	58.4	100	92½	TR Prop Inv C	92½		-	-	-	-
§108	F.P.	45.1	119	108	UPF	119		W8.67	2.7	3.9	10.2
150	F.P.	41.9	163	154	Vymura	163		L4.44	2.2	3.4	15.8

FT GOLD MINES INDEX

	Jun 10	% chg on day	Jun 9	[illegible]
Gold Mines Index (36)	1906.62	-14.5	1906.12	[illegible]
■ Regional Indices				
Africa (18)	2710.18	[illegible]	[illegible]	[illegible]
Australasia (8)	2815.65	[illegible]	[illegible]	[illegible]
North America (11)	[illegible]	[illegible]	[illegible]	[illegible]

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MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

The Co-operative Bank
PO Box 300, Skelmersdale, Lancs 0345 252000

TESSA	5.25	-	-	Yearly
Pathfinder – Card Based Current Account				
All Balances	4.90	3.68	5.01	Mth
Investment 90 - 90 Day Notice Savings				
£50,000+	5.25	3.94	5.32	6-Mth
£25,000-£49,999	4.60	3.38	4.65	6-Mth
£10,000-£24,999	4.00	3.00	4.04	6-Mth
£5,000-£9,999	3.00	2.25	3.02	6-Mth
Top Tier – Instant Access Savings				
£50,000+	3.75	2.81	3.79	6-Mth
£10,000-£49,999	3.25	2.44	3.28	6-Mth
£5,000-£9,999	2.25	1.69	2.26	6-Mth
Business Deposit – Instant Access				
£250,000+	4.25	3.19	4.30	6-Mth
£50,000-£249,999	3.00	2.25	3.02	6-Mth
£10,000-£49,999	2.75	2.06	2.77	6-Mth
£500-£9,999	2.31	1.73	2.32	6-Mth

30-90 day notice available Tel 081-529 [illegible]

J. Henry Schroder Wagg & Co Ltd
120 Cheapside, London EC2V 6DS 071-382 6000

Special Acc.	3.25	2.44	3.29	Mth
£10,000 and above	3.50	2.63	3.54	Mth

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141

£15,000+	4.75	3.56	4.84	Qtr
£5,000-£14,999	4.50	3.38	4.58	Qtr
£1,000-£4,999	4.25	3.19	4.32	Qtr

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crt: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OIL, INTEGRATED - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% ch'ge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£28½	—	Q375c	1.9	Oct Apr	3'93	—
Barlow		25⅝	—	Q173c	1.7	Jan Jul	13.12	—
Gold Flds Prop R		181	—	Q80c	1.2	—	31.1	—
MK Props	§	90	—	Q44.7c	0.3	Feb Oct	19.10	—
SASOL	♥	343	—	Q78c	—	Oct	23.9	3919
SA Brews		£12⅞xd	−4.9	Q138c	2.2	Dec Jun	30.5	—
Tiger Oats	†	678xd	−1.2	Q85c	2.9	Jul Feb	6.6	—
Tongaat-Hulett	†	897	0.9	Q75c	2.4	Feb Aug	4.1	—

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♣ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment; Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Keller Grp. (Bldg. & Con.), My Kinda Town (Leis. & Hotels) and Capitol Grp. (Support Services). Deletions: Clayton Son (Eng.). Europa Mins. (Extractive Inds.), Ed. Smaller C (Inv. Tsts.) and Chiltern Capital (Other Fin.)

FT Free Annual Reports Service

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For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close June 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17¾	14⅛	AAR	0.48	3.3	481	95	14¾	14⅜	14¾	+½
16⅞	13¼	A L Labs A	0.18	1.3	32	37	14⅛	13⅞	14⅛	
66	57⅝	AMP	1.68	2.7	22	775	63½	63¼	63⅝	+¼
72¾	52⅛	AMR			28	2019	57⅞	56¾	57¾	+1
5	3⅝	ARX			14	39	4⅜	4¼	4¼	-⅛
56⅛	38⅝	ASA	2.00	4.7	28	161	42¾	42½	42⅝	
31⅞	25⅜	AbbtL	0.76	2.5	17	7624	30¾	30¼	30¼	-½
13¾	11⅜	Abitibi Pr	0.50	4.0	8	8	12½	12⅜	12⅜	-⅛
13¾	11⅛	Acplocalo			22	38	12⅝	12⅜	12⅜	
31	24½	ACE Ltd	0.44	1.7	4	861	26⅝	25½	25¾	-1
12½	10⅛	ACM Gvt In x	1.08	9.6		211	11⅜	11¼	11⅜	+⅛
10⅛	7⅞	ACM GvOpp x	0.80	9.1		22	8¾	8⅝	8¾	+⅛
10⅝	8⅝	ACM Gvt Sp x	0.96	11.0		230	8¾	8⅝	8¾	
12	9⅛	ACM Gvt Se x	1.09	10.6		641	10¼	10	10⅛	-⅛
11¾	8¾	ACM Man x	1.08	11.1		6	9¾	9⅝	9¾	
9⅛	8	ACM Mangd x	0.72	8.3		40	8⅝	8½	8⅝	+⅛
15½	8¾	AcmeClv	0.44	4.1	13	55	10¾	10⅝	10⅝	-⅛
9¼	6⅝	Acme Elect			5	26	7¾	7½	7½	-¼
28¾	23	Acordia x	0.60	2.1	14	5	28⅜	28⅜	28⅜	
9⅞	6¾	Actava	0.36	4.0	3	1011	9⅛	8¾	9	+⅛
15⅝	11¼	Acuson			110	101	14½	14¼	14⅜	+⅛
18⅞	16½	Adams Expr	0.46	2.8	0	288	17¼	17⅛	17⅛	
64	46½	Adv Micro	3.00	5.4		322	55½	54⅝	55⅜	+1½
31¾	16¾	AdvMic	3.00	11.2	11	5176	27	26⅝	26⅞	+⅞
6⅞	5	Advest Grp	0.16	2.8	8	4	5⅝	5⅝	5⅝	
20	16⅝	Advo Inc	0.10	0.6	113	20	17	17	17	+¼
67¼	48⅞	Aegon ADR	2.95	5.5	11	30	53¼	52⅞	53¼	+⅛

Continued on next page

4 pm close June 10

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg Prev. Close
Continued from previous page										
27	19¾	Safeway			25	741	25⅜	25⅛	25¼	-⅛
6⅛	4⅞	SafewayW96				9	6	5⅞	6	+⅛
57⅞	50¼	StJoePaper	0.20	0.4	232	17	55⅝	55⅛	55½	-⅜
30¼	26½	StJosL&P	1.80	6.2	14	52	29⅛	28¾	29	+⅛
45	37¾	StPaul	1.50	3.8	4	1055	40	39⅝	40	+¼
9⅜	6⅛	Salant Crp			8	75	6⅞	6⅞	6⅞	-⅛
49⅞	37¾	Sallie Mae x	1.40	3.6	8	1746	39⅛	38¾	38⅞	+⅛
13⅞	11⅞	Salomon Br	0.28	2.2		141	12½	12⅜	12½	+⅛
52¾	44¾	Salomn	0.64	1.3	6	1542	50¾	50⅜	50½	-¼
25	18⅝	SnDgGE x	1.52	7.8	10	784	19⅝	19¼	19⅜	-¼
10	7½	SantaFeERs	0.16	1.8	9	1079	9⅛	8⅞	9	
40	34½	SantaFePac	2.80	7.8	18	25	36	35⅝	35¾	+⅛
26¼	19¾	SanFeP	0.10	0.5	12	3058	22½	22	22	-¼
26	20⅛	SaraLee	0.64	2.8	15	8234	23⅛	22⅜	22½	-⅛
50⅛	42¼	Scana Corp x	2.82	6.4	11	310	44	43¾	43⅞	
20½	13½	Scecrp	1.42	10.2	9	27319	14⅛	13¾	13⅞	
40½	34¼	SchererRP			27	297	35¾	35¼	35½	+½
69⅛	54½	SchrPl	2.04	3.1	16	1737	65¼	64¾	64⅞	-¼
61½	50¾	Schlmb	1.20	2.1	28	2251	57	56	56¾	+⅝
39⅞	25¼	Schwab(C)	0.28	0.9	14	658	31	30½	30⅝	-⅝
10¾	6⅛	Schwitzer			23	32	8⅜	8⅛	8¼	+⅛
38⅛	24⅞	SciAtl	0.12	0.3	69	668	34⅞	34⅝	34¾	-⅛
16⅞	13⅛	Scotman	0.10	0.7	13	644	15	14¾	14¾	
50⅞	37¼	ScotP	0.80	1.6	12	5298	u51	49½	49⅞	-½
25⅝	18⅝	ScuddrNAsF	0.21	0.9		102	24⅛	23⅞	24⅛	
12⅝	9¾	ScuddrNEuF	0.16	1.5		51	10⅝	10½	10⅝	+⅛
18¼	13½	SeaCnB	0.70	4.3	7	2	16⅛	16⅛	16⅛	-¼
[illegible]										

AMEX COMPOSITE PRICES

4 pm close June 10

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close June 10

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

FT GUIDE TO THE WEEK

13 MONDAY

Euro-election results

Governments and voters throughout Europe digest the results of the week-end elections for the 567-member European parliament and the referendum on EU membership in Austria.

The big question now for the Strasbourg political groupings is whether the parliament's increased powers can be translated into positive action – to improve parliamentary supervision of the Commission and Council of Ministers, and to increase the cohesiveness of legislation affecting the 269m-strong EU electorate.

OAU: the Organisation of African Unity holds its annual summit in Tunis (to June 15). South Africa will participate for the first time.

Bankers meeting: World central bankers assemble in Basle, Switzerland, for the annual meeting of the Bank of International Settlements. Topics for discussion include the recent turmoil in the bond markets; the growth of derivatives trading and the potential need for regulation; and the explosion in cross-border capital flows.

Counties review: Today is "Big Bang" in the local government review of England. The Local Government Commission, chaired by Sir John Banham, announces plans to restructure five counties, in which the local authorities strongly disagree – Cambridgeshire, Cheshire, Cumbria, Kent and Oxfordshire. Hampshire, Lancashire and Berkshire (where the local councils, unusually, agree) follow tomorrow, with Buckinghamshire on Wednesday and Bedfordshire on Friday.

Emperor Akihito and Empress Michiko of Japan are in Washington (to June 26). Today they attend a White House dinner hosted by President Clinton.

Korean crisis: A small group of opposition Japanese MPs leaves for North Korea in an effort to find a solution to the nuclear row. Former US president Jimmy Carter is also in North Korea this week.

Orly flights: British Airways is to introduce four daily round trip services from London's Heathrow airport to Orly in Paris following the French government's decision to open up the Parisian airport to more competition.

Opec oil ministers hold mid-year conference in Vienna on pricing and production strategy.

Acid rain: Environment ministers from Europe and North America are expected to sign a deal cutting emissions of sulphur dioxide, a main component of acid rain (to June 14).

Cartagena: Ibero-American heads of state meet in Colombia to discuss integration and co-operation.

FT Survey: Design In Europe.

Holidays: Australia, Hong Kong, Portugal (Lisbon only). Taiwan.

14 TUESDAY

BCCI verdicts due

Court verdicts on 13 former senior executives of the collapsed Bank of Credit and Commerce International who were tried in Abu Dhabi are expected today. Charges include dissipating funds, forging documents, concealing deficits and approving false loans.

One of those accused, Mr Swaleh Naqvi, BCCI's former chief executive, was last month extradited to the US. If found guilty, Mr Naqvi would be returned to Abu Dhabi but only after standing trial in the US and serving any sentence received there.

EU foreign ministers conclude a two-day meeting in Luxembourg to prepare for the European summit in Corfu on June 24-25. The EU may finally wrap up a political and trade agreement with Russia, so that President Boris Yeltsin can attend a high-profile signing ceremony in Corfu.

Meantime, President Leonid Kravchuk of Ukraine is due in Luxembourg today to sign an accord with the EU promising closer economic and political ties. Ukraine will be the first ex-Soviet state to form an official relationship with the EU. The accord opens the door for Ukraine to join the European free trade area as early as 1998.

Royal Ascot starts today with the St James's Palace Stakes, which promises to be the highlight of the meeting. The racing continues until Friday, with Ladies Day on Thursday.

DGB meeting: Germany's Trade Union Federation, the DGB, under which the country's 16 industrial trade unions are grouped, starts a special three-day congress to elect a successor to Mr Heinz-Werner Meyer who died last month. The congress will be attended by Chancellor Helmut Kohl.

Also today, Romania's leading trade unions hold a mass rally in Bucharest to protest against low pay and the government's failure to stem the country's four-year recession.

Transport: EU transport ministers finish a two-day meeting in Luxembourg. They are expected to endorse an action programme to consolidate deregulation of Europe's airline industry. But controversy could arise over the French government's plan to inject FFr20bn (US$3.5bn) into Air France.

Westminster: MPs return to Parliament after Whitsun recess. Prime minister's question time is likely to be dominated by the European election.

FT Survey: Nottinghamshire: Regeneration of the Coalfields.

Holidays: Hong Kong.

15 WEDNESDAY

Clarke speaks to City

Kenneth Clarke, the UK chancellor (left), gives the annual "Mansion House" speech to the City of London. Traditionally an occasion for expounding monetary policy, it is expected that Mr Clarke will also cover broader issues such as education and training in describing how the government plans to nurture economic recovery without reigniting inflation.

Finnish no-confidence vote: Prime Minister Esko Aho's centre-right coalition faces a parliamentary vote of no confidence amidst squabbling within the government over the country's intention to join the European Union on January 1 next year.

Hosokawa loan: Masatoshi Miyama, the ex-secretary of former prime minister Morihiro Hosokawa, is to testify in Japan's lower house on Y100m ($936,900) which Hosokawa borrowed from a scandal-tainted trucking company and allegedly used for a personal political campaign.

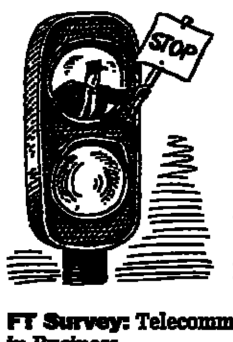
Also in Tokyo this week, first-quarter GDP figures will be announced.

Cambodia's Khmer Rouge guerrilla faction is sending six senior officials to peace talks starting today in Phnom Penh. The group's nominal leader, Khieu Samphan, will not attend.

City elections: Smithfield meat market traders have been exploiting a medieval electoral system in their dispute with the Corporation of London over market rents. The traders have tried to pack the electoral rolls with their supporters ahead of the Corporation's elections due in December. Today is the final day for registration.

Nuclear plants: A conference of the International Atomic Energy Agency in Vienna this week aims to set international safety standards for land-based civil nuclear power plants (to June 17).

Queen Margrethe of Denmark visits Iceland (to June 19).



Rail strike: Britain's railway network is threatened with a shut-down today when signalmen are expected to strike in support of an 11 per cent pay claim.

FT Survey: Telecommunications in Business.

16 THURSDAY

Labour trio share platform

As nominations close for the Labour leadership contest, candidates Tony Blair, John Prescott and Margaret Beckett, will today take part in a debate sponsored by the Transport and General Workers Union. The debate rounds off a busy week for the trio which starts with each of them addressing the GMB general union conference on Monday in Blackpool.

Bosnia: Senior officials from the "contact" group, comprising the US, Russia, the European Union and the United Nations, are expected to meet in London today to discuss moves towards a broad political settlement in the former Yugoslavia. Last week the warring parties agreed a month-long truce, which may create the conditions for negotiations on territorial division. The contact group had earlier proposed a four-month ceasefire.

Also today, leaders of the warring Bosnian factions are due to meet in Sarajevo for talks with UN special envoy Yasushi Akashi and General Sir Michael Rose, the UN commander in Bosnia.

Berlusconi in Bonn: Italian premier Silvio Berlusconi meets Chancellor Helmut Kohl in Bonn in his first top level European diplomatic meeting since assuming office a month ago. Italy has been traditionally close to Germany but the new Italian government is wary of a strong Franco-German axis.

Top of the agenda will be the forthcoming EU summit in Corfu (including the question of who will be the next European Commission president), and the German EU presidency.

Single market: EU ministers meet in Luxembourg today to review the progress of the single market, 18 months since its inception. On the agenda will be proposals for a new system of administrative co-operation between member states, which should allow faster problem-solving related to the free circulation of goods.

Gatt director general, Peter Sutherland, delivers the third annual Hayek Memorial Lecture in London.

Dalai Lama visits Rome (to June 17).

Fine wine: One of the finest private wine cellars to come on the market is to be sold at Christie's in London today. Some 18,000 bottles from the world's greatest wine estates, which have been assembled over 30 years by a private collector, are expected to fetch more than £1m.

Golf: US Open championship in Oakmont, Pennsylvania (to June 19).

Cricket: England play New Zealand in second test at Lords (to June 20).

Beijing is now at the centre of intense international efforts to defuse the Korean crisis

17 FRIDAY

Scandinavia debates EU

Finland's Centre party, Norway's governing Labour party and Sweden's opposition Social Democratic party open special party conferences called to decide official party policy towards membership of the European Union.

Support from all three is seen as vital to winning a Yes vote in referendums due in their respective countries in October and November, but each is deeply split on the issue.

The pro-EU leaderships of the three are expected to prevail, but not without agonised debate.

Aids researchers, representatives from international organisations and more than 40 health ministers meet in Paris today. They are preparing for a summit conference in the French capital in December when government heads will discuss new ways to fight the disease (to June 18).

Soccer: The World Cup starts today with Germany playing Bolivia, and Spain taking on South Korea. During the next four weeks, nine US cities will host 52 matches played by 24 national teams across four time zones.

FT Guide: World Cup Football.

18-19 WEEKEND

Colombia votes again

A close finish is expected in the second round of Colombia's presidential elections on Sunday. Liberal Party candidate Ernesto Samper had an advantage of only 0.3 per cent over Conservative Andres Pastrana in the first round on May 29.

Voter abstention in the first round reached 66 per cent, and is expected to be worse on Sunday because of the soccer World Cup.

Berlin parade: Allied forces hold a farewell parade on Saturday in Berlin. US, British and French troops will march close to the Brandenburg Gate, which divided the city until November 1989. Russian troops have been excluded by the city authorities.

Polish poll: A local government ballot on Sunday provides Poland's politicians with their most serious test since last autumn's parliamentary elections. Poles will be voting nationwide for 52,173 councillors.

Le Mans: 24 hour race on Saturday.

Holidays: Bahrain (Saturday).

Compiled by Ian Holdsworth.
Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: A busy week for UK economic statistics kicks off with May producer prices. Annual rates of growth have been subdued but there were signs in April that the surge in world commodity prices was showing up in manufacturers' costs.

Tuesday: The Confederation of British Industry's distributive trades survey will give the week's first clue to the strength of the retail sector in May. Analysts will be looking to see if April's tax rises have affected consumer behaviour.

Wednesday: A cornucopia of economic information. Inflation in May is expected to be subdued, with the underlying annual rate stuck at 2.3 per cent and the headline rate set to fall slighly to 2.5 per cent. Analysts think unemployment will fall by a further 25,000 in May. But a key focus for the markets will be average earnings, the annual growth rate of which has recently accelerated from 3 to 4 per cent.

Thursday: Official retail sales figures for May are expected to show a small increase in the annual rate of growth, from 4.4 to 4.5 per cent. May's public sector borrowing requirement is forecast to have been £4.1bn.

Statistics to be released this week

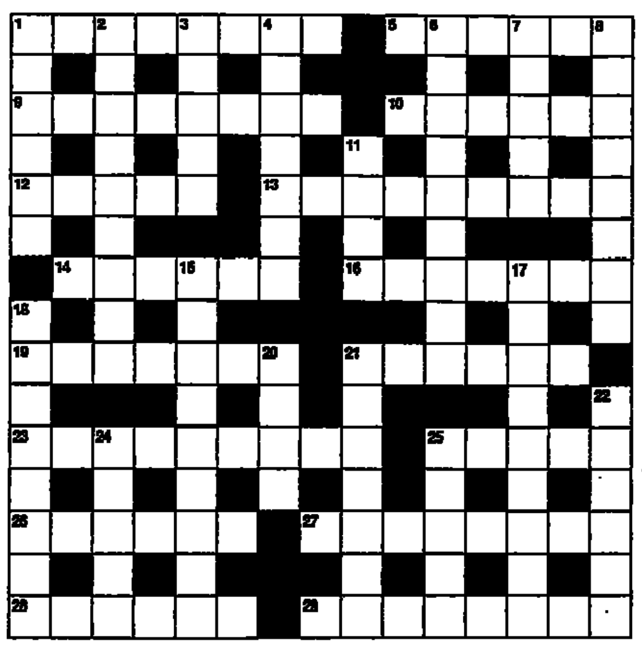
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	May producer prices indx input*	0.6%	0.5%
June 13	UK	May producer prices indx input**	-1.2%	-1.6%
	UK	May producer prices indx output*	0.35	0.3%
	UK	May producer prices indx output**	2.3%	2.2%
	UK	Ditto, excl food, drink,tobacco**	2.2%	2.2%
Tues	US	May retail sales	-0.8%	-0.8%
June 14	US	Ditto, excl autos	0.2%	-0.5%
	US	May consumer prices indx	0.3%	0.1%
	US	Ditto, excl food & energy	0.3%	0.2%
	US	May real earnings	-	0.1%
	Japan	May wholesale prices indx*	0.0%	-0.3%
	Japan	May wholesale prices indx**	-2.4%	-2.7%
Wed	US	May industrial production	0.1%	0.3%
May 15	US	May capacity utilisation	83.5%	83.6%
	US	Apr business inventories	0.3%	-0.2%
	US	1st qtr current a/c	-	-$31.5bn
	US	1st qtr productivity, revised	-	0.5%
	Japan	Apr indust prod, revised†	-	4.6%
	Japan	Apr shipments, revised†	-	4.8%
	UK	May retail price indx*	0.3%	0.1%
	UK	May retail price indx**	2.5%	2.6%
	UK	Ditto, ex-morgage int payments**	2.3%	2.3%
	UK	May unemployment rate	-25,000	-36,800
	UK	Apr average earnings	4%	4%
	UK	Apr unit wage 3 monthly***	2.2%	2%
Thur	US	May housing starts	1.43m	1.46M
June 16	US	May building permits	-	1.37m
	US	Initial claims, w/e June 11	355,000	358,000
	US	State benefits, w/e June 4	-	2.76m
	US	M2, w/e June 6	$4bn	-$7bn
	US	M2, May monthly	$2.5bn	-$8.7bn
	Japan	May trade balance, custom clear.	$7.6bn	$11.1bn
	France	Mar current a/c†	FFr5bn	-FFr4.3bn
	France	1st qtr gross domest prod, prelim	0.5%	0.1%
	UK	May PBSR	£4.1bn	£4.3bn
	UK	May retail sales*	0.2%	0.4%
	UK	May retail sales**	4.5%	4.4%
Fri	France	Apr trade balance	FFr6.6bn	FFr8.9bn
June 17	Canada	May consumer prices indx, all items	0.2%	0.2%
During the week...				
	Japan	1st qtr GDP, seas adj annual rate	2.5%	-2.2%
	Japan	May money supply (M2 & cash)	-	2.1%
	Japan	May broad liquidity**	-	3.2%
	Germany	Apr retail sales, pan Germany**	-1%	2%
	Germany	May wholesale price indx*	0.2%	0.3%
	France	Apr M3*	0.2%	0.0%
	Italy	Apr indust prod'tion, not seas adj	0.9%	0.7%
	Spain	May unemployment, registered	17.6%	17.76%
	Spain	May M4, annualised	5%	3.3%

*month on month, **year on yr, ***qtr on qtr, †seas adj. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD
No.8,478 Set by CINEPHILE

ACROSS
1 Foreign Office given new shape to cope with weather? (8)
5 Display without publicity, only possible in fine weather? (6)
9 Go up to top of house, say, in relation to long-term weather (8)
10 Wine in churchyard (6)
12 It's illuminating and entertaining (5)
13 Drink for entering exam causes a measure of rough weather (4,5)
14 Finance officer for British Rail hugging bear (6)
16, 22 Talons deployed among little fish to check what changes the weather (7,6)
19 Dry weather instrument with emperor in support (7)
21 Heavenly body responsible for the weather? (6)
23 Fighter downs arms for a change (9)
25 Gloomy sort of weather makes strange return to part of sky (5)
26 Less than six tricks are crystalline (6)
27 Horse's half turn has very little potential (8)
28 Something unusual makes one tarry (6)
29 Line of similarly hot weather is different by 1,000 (8)

DOWN
1 Container of documents, about a hundred thousand, like British weather (6)
2 Wet weather instrument from Guinea treated with rag (4-5)
3 Weather map found by Our Father? (5)
4 Modern type of pendulum? (7)
6 Cruel failure of weather (4,5)
7 Port with penny left after division (5)
8 Usual direction of weather: swelter, oddly, at start of year (8)
11 Part of circle formed on staff (4)
15 Effect of wintry weather on downs – possible break in cloud (4-5)
17 Plural number discovered tomorrow? Point taken (3,2,4)
18 Disregard the spring festival (8)
20 Sort of weather that keeps mother quiet (4)
21 Acceptable conduct in stately homes, say (7)
22 See 16
24 Beast in more summery weather losing head (5)
25 Sort of weather, one that's in the majority (5)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday June 23, marked Monday Crossword 8,478 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday June 27.

Name...

Address..

Winners 8,466

B.J. Coutanche, Petit Port, Jersey
G. Barratt, Cleethorpes, South Humberside
Alison Emmott, Les Mouriaux, Alderney
F.W. Hornett, Aylesford, Kent
Jacqueline Mercer, Barley, Herts
W.E. Nelson, Gorebridge, Midlothian

Solution 8,466